

Comprehensive Annual Financial Report

City of Portsmouth, Virginia School Board

A Component Unit of the City of Portsmouth, Virginia

For the Fiscal Year Ended June 30, 2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**City of Portsmouth, Virginia School Board
Component Unit of the City of Portsmouth, Virginia**

For the Fiscal Year Ended June 30, 2010

Prepared by the Department of Finance

**Meera Phaltankar, CPA
Director of Finance**

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2010**

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June 30, 2010**

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COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
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November 5, 2010

The Honorable Members of the School Board
and the Citizens of the City of Portsmouth, Virginia:

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") for the City of Portsmouth, Virginia School Board ("School Board" or "PPS") for the fiscal year ended June 30, 2010. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School Board. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Governmental Activities and various funds of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included.

For financial reporting, the School Board is a component unit of the City of Portsmouth, Virginia ("City"), and, accordingly, the financial position and results of operations of the School Board are also reflected in the financial statements included in the City's CAFR. An annual audit of the books of accounts, financial records, and transactions of all the departments of the school division has been performed by Cherry, Bekaert & Holland, L.L.P., Certified Public Accountants. The auditors' reports which include their unqualified opinion on the basic financial statements of the school division are included herein.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management Discussions and Analysis (MD&A). This Transmittal Letter is designed to complement MD&A and should be read in conjunction with it.

The School Board is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, if any, and auditors' reports, are included in the City's CAFR.

The Governmental Accounting Standards Board has released Statement No. 54 in March 2009, "Fund Balance Reporting and Governmental Fund Type Definitions," to address issues related to how fund balances are reported. The statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of the related statement are effective for financial statements for the periods beginning after June 15, 2010. We will change beginning balances for the fiscal year 2010-11. The Governmental Accounting Standards Board has released Statement No. 51, 53 and 58 for Accounting and Financial Reporting of Intangible Assets, Accounting and Financial Reporting of Derivative Instruments, and Accounting and Reporting of Chapter 9 Bankruptcies respectively for periods beginning after June 15, 2009. Intangible Assets are reported accordingly.

The Reporting Entity and Organization

Founded in 1752, the City of Portsmouth, Virginia is an urban core city situated at the center of Hampton Roads, the country's 33rd largest Metropolitan Statistical Area with over 1.5 million residents. The City encompasses 29.9 square miles of real property of which 54% is tax exempt due in large part to military installations.

In accordance with the requirements of the Governmental Accounting Standards (GASB), the financial reporting entity consists of a primary government (the City of Portsmouth), and its component units, which are legally separate organizations. The School Board is considered a component unit of the City and the financial position and results of operations of the School Board are also presented in the City's CAFR. The School Board has no component units for financial reporting purposes. The School Board is fiscally dependent, i.e., it does not have taxing and borrowing authority. It derives most of its funding from the City and the Commonwealth of Virginia allocations.

The School Board's responsibility is the education of elementary and secondary students within the City. The nine-member School Board is elected by the Portsmouth citizens and serves a four-year term. The School Board is entrusted with the responsibility of hiring the school division's superintendent who is the executive and administrative head of the public school division. The City Council approves the School Board's operating budget, levies the necessary taxes to finance their portion of the operations, and approves the borrowing of money and issuance of bonds when necessary. The City Council is prohibited from exercising any control over specific expenditures within the operating budget of the School Board. However, City Council may exercise control in total by major categories (e.g. Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance) as prescribed by the Code of Virginia, as amended.

Economic Condition and Outlook

Old Dominion University's Regional Studies Institute recently published The State of The Region - Hampton Roads 2010. Per Dr. James Koch, an economist and former president of Old Dominion University, the worldwide recession punished Hampton Roads in 2009. Fortunately in 2010 both the nation and region began to recover. Hampton Roads remains overly reliant on defense spending, which now accounts for 45% of the local economy. As expected, Department of Defense spending cushioned the area's economic downturn. Military spending within the region grew by an estimated 3.1% in 2010, but this was the lowest rate of increase since 2000. Residual problems from the recession, particularly in the housing and banking industries, have not disappeared and have acted as a drag on regional growth. The value of commercial real estate has fallen 42% since 2007. The current home ownership rate is about 64% - this is down from a peak of about 79%. Approximately 79% of homes in Hampton Roads have positive equity, i.e. 21% of homeowners owe more in their mortgage than their home is worth. Banks are attempting to straighten out their balance sheet to cope with delinquent borrowers and frequently decline to make new commitments.

According to 2009 statistics, Portsmouth has a population of 99,321 of which 50.9% is African-American, 43.6% is white, and 5.5% other. Portsmouth Public Schools ("PPS") served 14,224 students in two pre-k centers, 14 elementary schools (12 are Title I schools), three middle schools, three high schools, and one special education center, an alternative school, and an adult learning center. Based on the 2009-10 Enrollment Percentages by School and Ethnicity, prepared by the PPS Office of Information Technology ("IT"), 73% of our student population is African-American. School-wide, 13% of all students are identified as having special needs. There are approximately 2,240 employees.

Major Initiatives and Recognition

The Association of School Business Officials International ("ASBO") awarded the Meritorious Budget award for excellence in the preparation of the School Board's school system budget for the fiscal year 2009-10.

Mrs. Frances L. Gray, Supervisor of Health Services, collaborated with Health Services supervisors from all of the surrounding Hampton Roads cities and the School Health Specialist at the VDOE to develop a standardized medical plan of care for students with diabetes. After initiating the process, this group worked with the Virginia Diabetes Council, the Virginia Department of Health, the Virginia Department of Education, certified diabetes educators, pediatric endocrinology practices throughout the state, the American Diabetes Association, the Diabetes Research and Wellness Foundation, Inova Diabetes Center, Eastern Virginia Medical School, and Animas to develop a concise but comprehensive diabetes medical management form. The form has been widely distributed and is helping to provide consistent and safe care of students with diabetes in Virginia schools. This same form was nominated, and has received, a Frankie Award. The "Frankies" recognize innovative use of National Diabetes Education Program (NDEP) materials and resources as the cornerstone of diabetes prevention and control programs and initiatives, as well as exemplary promotion and incorporation of NDEP materials and messages into existing programs and activities. The Virginia Diabetes Medical Management Form won in the Collaborative Partnership category (Partnership between work groups, non-profit, private, and/or government organizations to disseminate materials or implement public health initiatives using NDEP resources). Although the actual recipient of the award is the Virginia Diabetes Council, Mrs. Gray, along with her fellow School Health supervisors, will be recognized as collaborators on the project.

Finance and Human Resources ("HR") departments worked together over the past two years on mandatory direct deposit of payroll. By the end of fiscal year we were successful in enrolling all of our existing employees for direct deposit.

Finance department introduced travel cards for conferences and employee travel. This has reduced employee advances and after travel settlement of cash. Local mileage is now paid with payroll instead of Accounts Payable, reducing the cost of check printing.

In October 2009, Operations department went live on Munis Financial Work Order module.

The School Board, in collaboration with Old Dominion University, is in the preliminary and planning stage of The Teacher Immersion Residency Program (TIR). This is a twelve-month teacher training program that concludes with a Master of Science in Secondary Education. The program integrates rigorous graduate-level course work and intense hands-on, real life classroom experience within the PPS. The School Board currently has six students shadowing teachers. They will be certified to teach college courses. By September 2011, they will have enough credentials to teach dual enrollment classes.

AC = 13 Academic + Career after High School

VDOE Office of Career and Technical Education (CTE) Services awarded the Creating Excellence award (2010) to PPS CTE program. It is a partnership between CTE and the Northern Star Credit Union. For the first time in the Hampton Roads area, bank branches are located at I.C. Norcom and Woodrow Wilson High Schools in the PPS. The high school Business program and Northern Star Credit Union employees train students to work in the banks, providing them with workplace readiness skills through experiences in marketing, transactions, money handling, and the application process. The final outcome is that students have a better chance for employment at a bank and helping increase financial literacy.

Science - Technology - Engineering - Mathematics (STEM) Pathways

PPS' STEM Pathways Initiative is designed to enhance science and mathematics content through appropriate technology and engineering experience. STEM is now fully implemented at elementary, middle and high school levels. STEM has partnered with several institutions of higher learning, private

sector and government agencies, internal departments and the City. STEM Pathways give students a practical experience that goes above and beyond standard definitions of 'hands-on'. The goal is for students to think outside the box. Besides helping students, this program focuses on staff and professional development for instructional staff. STEM started various summer camps that include – Lego Robotics, Oyster Gardening, Ocean Quest, and Sea Perch.

The following are a few achievements:

- Presentations:** MODSIM WORLD Conference - focus was the partnership for middle school robotics known as the Virginia Demonstration project; partners include the Department of Defense and the College of William and Mary. ISTE and VSTE - International Society of Technology in Education and the Virginia Society of Technology in Education
- Awards:** STARBASE - VA Mathematics and Science Coalition award for a Program That Works - student Category VA Demonstration project - VA Mathematics and Science Coalition award for a Program That Works - teacher category ENVIROBASE Aquarius curriculum – recognized for excellence in Environmental Education One of our teachers was nominated for STEM Educator of the year, Hampton Roads Tech Center, VA Beach
- Accomplishments:** VEX Robotics Team competed in the World Competition in Dallas and finished in the top 20% of the 400 teams. FIRST Robotics Team - finished 34 out of 65 teams in the Regional competition
- Grant partners:** State Council of Higher Education in Virginia (SCHEV) - with Hampton University – focus is Problem-based learning. NASA CAN grant - Moon, Motion, Mysteries (Hampton University = partner). NOAA B-WET grant with ODU - ENVIROBASE Aquarius - students designed, built, and launched a weather buoy to be used throughout the school year

Special Education

University Instructors were provided to four schools, Brighton, Park View, Churchland Middle, and Churchland Academy during the school year - the program was to assist schools in providing follow-up instruction and remediation to students with disabilities during the day and in after school sessions. Tutors were assigned to each school from University Instructors to help facilitate. Targeted areas of instruction were reading, math, and SOL remediation skills.

Human Resources, Payroll and Benefits

During the fiscal year 2009-10, the HR department conducted a Customer Service Forum. This was a continuing education opportunity offered to our administrative employees at schools and departments. HR successfully implemented a new online substitute teacher management program AESOP. Actual conversion of old data and implementation of new software was during the fiscal year 2009-10 to be used beginning July 1, 2010. The substitute placement and teacher absence module is completely automated and will interface with MUNIS - financial and payroll software. HR and AESOP (automated substitute placement and absence management) conducted training on the teacher absence module. Principals, assistant principals, clerical and payroll staff attended. Information and training for teachers and substitutes will commence prior to school opening. HR, Finance and IT departments worked together for successful conversion and implementation of time and attendance system. Legiant, a new time and attendance system, replaced the old GHG system.

Financial Information

Management is responsible for establishing and maintaining an internal control structure. It is designed to provide reasonable, but not absolute, assurance. Reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits require estimates and judgments by management. A component of internal control structure should increase the probability that material errors or fraud that occur are detected in a timely manner by employees in the normal course of performing their duties.

The School Board management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board and City Council. The school division maintains an encumbrance accounting system as a method of accomplishing budgetary control. Outstanding encumbrances or open purchase orders at the end of the fiscal year are carried forward to the next fiscal year. By the end of the second fiscal year, outstanding encumbrances or open purchase orders are liquidated and funds are transferred to the City. The School Board has adopted budgets for the following funds - General, Text Books, Grants, Food Services, Capital Projects, Printshop, and Risk Management. The School Board and City Council adopt the School Operating Budget by March and April respectively for the upcoming fiscal year.

The School Board pays the City a yearly fee to manage the School Board's risk management program. The School Board is "fully insured" for auto liability and for general liability through the Virginia School Board Association. For Workers Compensation, the School Board carries an excess policy, with a self-insured retention of \$450,000. Workers Compensation claims are handled by PMA, a third party claims administrator.

The City Treasurer is the custodian of pooled cash and temporary investments, funds held for student activity accounts and related investments except funds under Escrow agreement for the First College capital project. Our financial institution keeps a minimum required balance in a general depository account and invests the excess in an Institutional Money Market Fund. The investments are in compliance with industry-standard requirements for money market funds for quality, maturity and diversification on investments. Interest earned is allocated among all the pooled cash funds based on General Ledger cash balances at the end of the month.

Awards

Certificate of Excellence

ASBO awarded the School Board its Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate of Excellence is valid for a period of one year only. This is the fourth consecutive year that PPS has achieved this prestigious award.

The Financial Reporting Award was designed by ASBO to enable school business officials to achieve a high standard of financial reporting. The award is only conferred to school systems that have met or exceeded the standards of the program. Since its inception in 1972, the program has gained the distinction of being a prestigious national award recognized by accounting professionals, underwriters, securities analysts, bond rating agencies, state and federal agencies, and education, teacher, and citizen groups.

ASBO, founded in 1910, is a professional association, which provides programs and services to promote the highest standards of school business management practices, professional growth, and the effective use of educational resources.

Certificate of Achievement

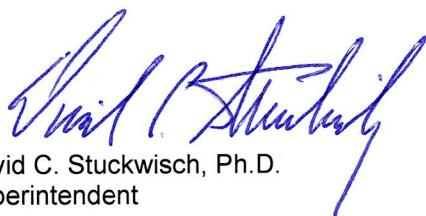
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PPS for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This is the third consecutive year that PPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

We would like to express our sincere gratitude to the personnel in the Department of Finance who participated in the preparation of this report and to our independent auditors, Cherry, Bekaert & Holland, L.L.P. Appreciation is also extended to the School Board and the administration, whose continuing support is vital to the financial health of the school system.

Respectfully submitted,



David C. Stuckwisch, Ph.D.
Superintendent


Dan Pendarvis
Assistant Superintendent for Budget and Planning

Meera Phaltankar, CPA
Director of Finance

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA**
June 30, 2010

Members of the School Board and School Board Officials

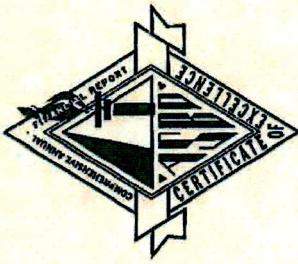
School Board

Mr. James E. Bridgeford..... Chairman
Mrs. Linda A. Ridenour..... Vice Chairman
Dr. Elizabeth Daniels
Mr. James M. Hewitt, IV
Mr. Edward P. "Ned" McCabe
Mr. B. Keith Nance, Sr.
Mrs. Jean H. Shackelford
Dr. Mark M. Whitaker
Mrs. Costella Williams

Officials

Dr. David C. Stuckwisch Superintendent
Dr. Patricia H. Fisher Assistant Superintendent for Curriculum and Instruction
Mr. Dan Pendarvis Assistant Superintendent for Budget and Planning
Mrs. Meera Phaltankar, CPA Director of Finance
Mrs. Kathy L. Chambliss Clerk of the School Board
Mrs. Laura Chandler Deputy Clerk of the School Board
Mr. James L. Williams City Treasurer

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting
is presented to
City of Portsmouth, Virginia School Board

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2009
upon recommendation of the Association's Panel of Review
which has judged that the Report substantially conforms
to principles and standards of ASBO's Certificate of Excellence

Erin Green
President

John D. Mease
Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Portsmouth, Virginia
School Board**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

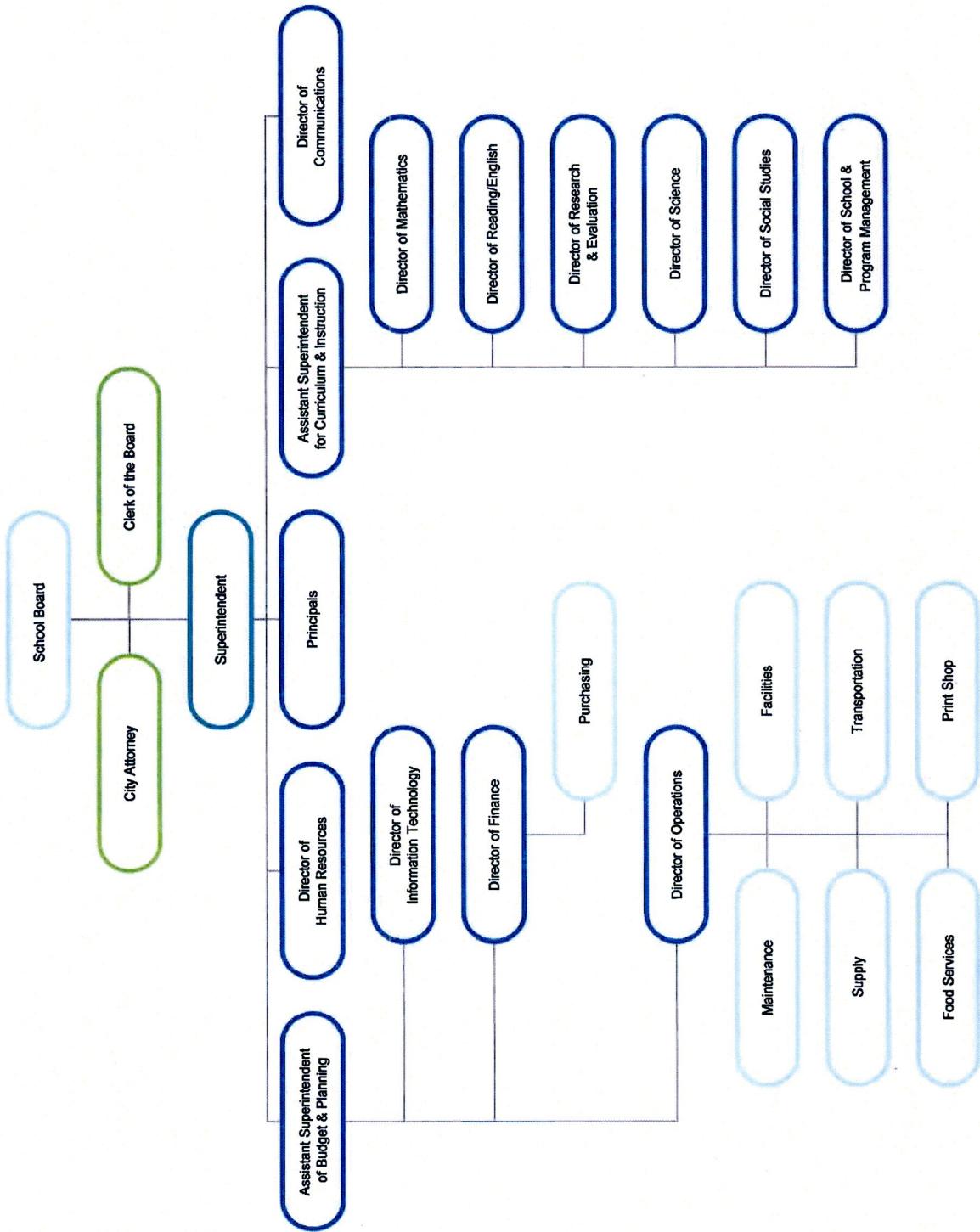


President



Executive Director

**City of Portsmouth, Virginia School Board
Component Unit of the City of Portsmouth, Virginia
Organizational Chart (June 30, 2010)**



FINANCIAL SECTION



Independent Auditors' Report

Members of the School Board
City of Portsmouth, Virginia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (School Board), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the School Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 12, the budgetary comparison schedules of the general fund and major annually budgeted special revenue funds, and the other required supplementary information on pages 39 through 44 listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The introductory section, other supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekant & Holland, A.C.P.

Virginia Beach, Virginia
November 5, 2010

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

This section of the City of Portsmouth, Virginia School Board's ("School Board" or "PPS") annual financial report presents our discussion and analysis of the School Board's financial performance during the FY10-09. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights for the Fiscal Year Ended June 30, 2009-10 (FY09-10)

PPS' financial status, as reflected in total net assets, increased 20% to \$93.4 million. Of that \$0.5 million of the net assets are restricted to ongoing capital projects that consist primarily of various school renovation projects.

On the statement of net assets - governmental activities, total liabilities at June 30, 2010 totaled \$28.5 million. The bulk of the current liabilities of \$14.1 million are related to accrued payroll and accounts payable, while the majority of the non-current liabilities relate to compensated absences and capital leases.

On the statement of revenues, expenditures, and changes in fund balances - governmental funds, the Food Services Fund and the Grants Fund experienced an increase in fund balance. The increase in the Food Services Fund was due to expending less on materials and supplies and receiving an increase in donated commodities. The increase in the Grants Fund balance was due to receiving more federal grants. The General Fund has \$143.3 million in revenues and \$132.2 million in expenditures. The General Fund's fund balance increased from \$4.4 million to \$7.3 million. This increase was due to reduced spending.

Total intergovernmental revenue was \$171.3 million. Of that, \$48.2 million was from the City of Portsmouth (City), \$91.3 million was state aid from the Commonwealth of Virginia, and \$31.8 million was from the federal government. Interest and other charges were \$1.5 million including, \$0.2 million in interest, and \$1.3 million in charges for services.

Operational Highlights for FY09-10

- Capital improvements completed during the year were - S.H. Clarke roof replacement, Churchland Academy fan coils and direct digital controls, Churchland Middle elevator upgrade, Waters Middle boiler and air handler replacement, and Cradock Middle boiler replacement.
- Park View Elementary Phase II was completed during the year. HVAC and overlay projects for various schools continued during the year. Construction of the Churchland Elementary Gymnasium began during the year. Renovations and additions continued at Churchland Primary and James Hurst Elementary. Construction of the new Simondale Elementary continued during the year funded by Qualified School Construction Bonds (QSCB) created under the American Recovery and Reinvestment Act (ARRA).
- The school district aggressively seeks competitive Grant Funds to further its mission. During FY09-10, PPS was awarded the National Defense Education Program grant from William & Mary. The Title I Distinguished Schools Grant was awarded by the Virginia Department of Education. PPS also received from the United States Department of Education the Response to Intervention Funding for Progress and Monitoring Grant. The School Board also received State Fiscal Stabilization Funds (SFSF), created under ARRA.

Overview of the Financial Statements

This Comprehensive Annual Financial Report has six component sections: *management's discussion and analysis* (this section), *the basic financial statements*, *other supplementary information*, an optional section that presents *combining statements* for internal service funds, a *statistical section*, and a *compliance section*.

There are two types of financial statement presentations, one for the School Board as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the School Board's overall financial status on an economic resource focus. The remaining statements are fund financial statements that focus on a current financial resource basis and individual parts of the School Board's operations in more detail than the government-wide financial statements.

Also included in the financial statements are *notes* that explain some of the information in the financial statements and provide more detailed data. Following the statements is a section of *required supplementary information* that further explains and supports the information in the financial statements.

The chart on the following page summarizes the major features of the School Board's financial statements and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the School Board's Government-Wide and Fund Financial Statements:

		Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school system	The activities of the school system that are not proprietary or fiduciary, such as General, Text Books, Grants, Food Services, and Capital Projects Funds	Activities the school system operates similar to private businesses, such as the Print Shop Fund	Instances in which the school system is the trustee or agent for resources outside of the government, such as the OPEB trust and Student Activities Fund
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of net assets • Statement of changes in net assets (Fiduciary Fund only)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	The school system's fund does not currently contain capital assets nor liabilities
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All receipts and disbursements during year, when cash is received or paid, rather than when an obligation is incurred

Government-Wide Statements

The government-wide statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School Board's assets and liabilities, while the statement of activities reports the School Board's revenues and expenses, regardless of when cash is received or paid. Both of the statements are prepared using the full accrual basis of accounting, which is similar to private-sector accounting.

The two government-wide statements report the School Board's net assets and how they have changed. Net assets, the difference between the School Board's assets and liabilities, is one way to measure the School Board's financial health or position.

- Over time, increases or decreases in the School Board's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School Board you need to consider additional non-financial factors such as changes in the student population and the condition of school properties.

The government-wide financial statements of the School Board include only governmental activities, as the School Board does not have business-type activities. Most of the School Board's basic services are included here, such as administration, instruction, attendance and health, pupil transportation, information technology, and operations and maintenance. State aid, federal aid, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund statements focus on the major funds of the School Board, rather than the entity as a whole. These financial statements are presented on a modified accrual basis and are accounting devices that the School Board uses to keep track of specific sources of funding and spending for particular purposes.

The School Board has three types of funds:

- *Governmental funds* – Most of the School Board's basic activities are included in governmental funds, which focus on: (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near-term future to finance the School Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this additional information is provided in reconciliations after the governmental funds statements to explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the School Board charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The School Board uses two *internal service funds*. Internal service funds are used for goods or services provided by a central service department or agency to other departments, agencies or to other unrelated governmental units, usually on a cost reimbursement basis. The Print Shop Fund supplies printing and graphic services to the City of Portsmouth, outside entities and functional units in the School Board on a cost reimbursement basis. The Risk Management and Insurance Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board.
- *Fiduciary funds* – The School Board maintains an agency fund which is custodial in nature (assets equal liabilities) and does not involve measurements of the results of operations. The School Board's agency fund is the Student Activities Fund, which accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The OPEB trust fund is used to report resources that are required to be held in a trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment-benefit plans, or employee benefit plans.

Financial Analysis of the School Board as a Whole

Following is a discussion of the major financial highlights of the School Board financial statements:

Net Assets

The School Board's net assets at the end of FY09-10 were \$93.4 million, which were composed of \$30.1 million in unrestricted net assets, \$0.5 million in restricted for other purposes, and \$62.8 million invested in capital assets, net of related debt. Capital assets of the School Board for which the City of Portsmouth has incurred related debt are reflected in the City of Portsmouth's financial statements. All other capital assets that are School Board assets are reported in the School Board's financial statements. Please refer to the Financial Highlights for FY09-10 section for the related construction projects.

Net Assets

Years Ended June 30,
(In thousands of dollars)

	2010	2009
Current and other assets	\$ 52,581	\$ 48,777
Capital assets	69,285	59,323
Total assets	<u>121,866</u>	<u>108,100</u>
Long-term debt outstanding	11,134	14,384
Other liabilities	17,354	15,865
Total liabilities	<u>28,488</u>	<u>30,249</u>
Net assets:		
Invested in capital assets, net of related debt	62,781	52,248
Restricted, Capital projects	533	830
Unrestricted	30,064	24,773
Total net assets	<u>\$ 93,378</u>	<u>\$ 77,851</u>

Changes in Net Assets

The breakdown of program revenue is as follows: 95% comes from operating contributions, while the remaining program revenue is from charges for services. Total general revenues for FY09-10 were \$116.9 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 41% of these revenues. The majority of the rest of the grants and contributions not restricted to specific programs are derived from State and Federal funds.

Changes in Net Assets

Years Ended June 30,
(In thousands of dollars)

	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 2,816	\$ 3,290
Operating grants and contributions	54,088	51,496
Capital grants and contributions	-	1,455
General revenues:		
Interest and investment earnings	271	499
Grants and contributions not restricted	115,161	123,607
Miscellaneous	1,508	1,607
Total revenues	173,844	181,954
Program expenses:		
Instruction	116,857	126,006
Administration	5,594	5,655
Attendance and health services	3,267	3,603
Pupil transportation	6,578	7,274
Operations and maintenance	15,821	18,619
Information technology	3,493	5,703
Food services	6,453	7,258
Interest on long-term debt	254	258
Total program expenses	158,317	174,376
Change in net assets	15,527	7,578
Beginning net assets	77,851	70,273
Ending net assets	\$ 93,378	\$ 77,851

Operating contributions in the program revenues section, increased by \$2.6 million over the previous fiscal year. Most of this increase is due to the Fresh Fruit and Vegetable Program Grant and ARRA funds under IDEA, Special Education Pre-K, Title I and Title II D Education Technology grants.

Grants and contributions not restricted, in the general revenues section, decreased by \$8.4 million over the previous fiscal year. Most of this is related to a decrease in textbook funding of \$1.3 million, \$1.3 million in instructional teacher retirement, and \$1.5 million in Lottery funds, Special Education tuition, At Risk, and School construction.

Instruction, in the program expenses section, decreased by \$9.1 million over the previous fiscal year. Most of this decrease is related to a decrease in average daily membership, causing a decrease in State funding and the overall economic condition.

Financial Analysis of the School Board's Funds

The School Board's combined fund balance for the governmental funds was \$29.9 million for the FY09-10. The current year compared to last year's is as follows:

Fund Balance Comparison

Years Ended June 30,

	<u>2010</u>	<u>2009</u>
Fund:		
General	\$ 7,254,071	\$ 4,445,477
Grants	438,124	(2,087,325)
Food Services	2,293,668	1,624,469
Textbook	1,641,475	2,131,345
Construction	<u>18,248,069</u>	<u>18,383,516</u>
Total combined fund balance	<u>\$ 29,875,407</u>	<u>\$ 24,497,482</u>

There were several factors that contributed to the change in fund balances.

- The fund balance in the General Fund consists of encumbrances and reserve for inventory. There was no significant change in reserve for inventory. The overall increase in fund balance was attributed to reduced spending.
- Increases in revenue from the federal government contributed to the increase in the fund balance in the Grants Fund. There has been an aggressive approach in the submission for requests for reimbursements.
- An increase in donated commodities and improved inventory management caused an increase in the fund balance for the Food Services Fund. More Federal revenue was received due to an increased number of students on free and reduced lunch.
- The Textbook Fund had a decrease in fund balance due to the elimination of funding in State revenue.
- Construction fund balance remained relatively unchanged even with current economic conditions. This is mainly due to the projects funded by bond proceeds and ARRA funding. The School Board could continue with construction projects with this additional funding.

General Fund Budgetary Highlights

Throughout FY09-10, the School Board monitors its total budget; however, the School Board delegates authority to the superintendent to move budget amounts between line items and organizational units to meet the changing needs of the School Board. The School Board's administration manages actual spending to revenue received.

General Fund Fiscal Year 2010 (In thousands of dollars)

	Original Budget	Amended Budget	Actual (Budgetary Basis)
Revenues:			
Intergovernmental	\$ 147,542	\$ 147,542	\$ 141,635
Other	1,390	1,390	1,657
Total	148,932	148,932	143,292
Expenditures and transfers:			
Expenditures	144,213	144,213	135,052
Transfers	4,719	4,719	8,240
Total	148,932	148,932	143,292
Change in fund balance	\$ -	\$ -	\$ -

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2010, the School Board had \$69.3 million in capital assets, net of depreciation. Most of the assets are in school buildings and land. Of the equipment, most of the capital assets are the school bus fleet and the maintenance vehicles.

Capital Assets Years Ended June 30, (Net of depreciation, in thousands of dollars)

	2010	2009
Land	\$ 6,125	\$ 6,147
Buildings and improvements	40,625	41,204
Equipment	8,601	7,287
Intangibles	371	-
Construction in progress	13,563	4,685
Total	\$ 69,285	\$ 59,323

During FY09-10, the School Board completed \$3.2 million in construction in progress.

Readers desiring more information on capital assets are referred to Note 3 in the basic financial statements.

Long-Term Liabilities

Long-term liabilities as of fiscal year end were \$14.0 million, with \$11.1 million due in greater than one year and the remaining \$2.9 million due within one year.

The significant portions of long-term liabilities were \$4.9 million in vacation and sick leave, \$6.5 million in energy lease obligations and \$2.5 million in claims payable related to potential workman's compensation claims.

Readers desiring more information on long-term liabilities are referred to Note 4 in the basic financial statements.

Economic Factors and Next Year's Budget

Highlights of FY10-11 budget include:

Faced with a significant (approximately 10% or \$14 million) budget reduction for FY10-11, the School Board had to develop priorities in deciding on reductions. At first those priorities included reduction of positions by attrition only rather than termination of employees. However, personnel costs make up 80% of the School Board's budget. As a result, there was no way to achieve the required savings without reductions in personnel.

Position reductions were focused on three major areas:

- Custodians – the following initiatives allowed PPS to reduce thirty-three custodial positions:
 - Using polished concrete in halls, cafeterias, and elementary gymnasiums - eliminates the requirement to wax tile floors
 - Stop the practice of waxing terrazzo floors - terrazzo is not designed to be waxed
 - Move high school custodial work to night shift to avoid conflicts between scheduled events at the school and custodial work
 - Cover hallway walls in elementary schools with ceramic tile to simplify cleaning
- General Paraprofessionals (teacher aides) - the Standards of Quality in Virginia do not require (and, therefore, do not provide) funding for General Paraprofessionals. Thirty-nine General Paraprofessional positions in elementary schools have been eliminated by PPS. Paraprofessionals for Special Education classes and Pre-Kindergarten classes have been retained.
- Teacher, Administrator, and Clerical positions - forty-two positions have been eliminated that were not required by Virginia Standards of Quality.

Additionally, to balance the budget, supplies, material, and services were reduced by 15% (\$3 million). PPS has never reduced supply budgets by this magnitude. Accordingly, PPS will closely monitor this to ensure schools are able to maintain quality instruction.

The FY10-11 budget contains no funds for school bus replacement, technology hardware upgrades, or facility upgrades (such as roof or HVAC replacements).

Part of the deficit is covered by American Recovery and Reinvestment Act State Fiscal Stabilization Fund - Education State Grants Basic Aid of \$3,545,225. These funds were over the period of two years ending FY10-11. PPS recently received Employment Job Fund Grant of \$4,019,217 for compensation and benefits and other expenses such as support services, necessary to retain existing employees, to recall or rehire former employees and to hire new employees.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, parents, guardians, and creditors with a general overview of the School Board's finances and to demonstrate the School Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Portsmouth, Virginia, School Board, Superintendent's Office, 801 Crawford Street, Portsmouth, Virginia 23704.

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit I

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES

June 30, 2010

ASSETS

Cash and cash equivalents	\$ 46,458,769
Cash with fiscal agent	532,666
Due from the federal government	2,261,134
Due from the Commonwealth of Virginia	1,018,261
Due from City of Portsmouth	622,477
Receivables - net	164,197
Inventory	931,018
Capital assets not depreciated	19,688,014
Other capital assets - net	49,596,852
Net OPEB asset	<u>592,670</u>
Total assets	<u>\$ 121,866,058</u>

LIABILITIES

Accounts payable	\$ 4,453,552
Accrued payroll	9,108,642
Accrued payroll taxes	599,387
Accrued interest	234,974
Due to primary government	22,994
Long-term liabilities	
Due within one year	2,934,648
Due in more than one year	<u>11,133,601</u>
Total liabilities	<u>28,487,798</u>

NET ASSETS

Invested in capital assets - net of related debt	62,781,638
Restricted	
Capital projects	532,666
Unrestricted	<u>30,063,956</u>
Total net assets	<u>93,378,260</u>
Total liabilities and net assets	<u>\$ 121,866,058</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit II

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities						
Administration	\$ 5,593,602	\$ -	\$ -	\$ -	\$ -	\$ (5,593,602)
Instruction	116,857,035	54,789	49,136,211	-	-	(67,666,035)
Attendance and health services	3,266,564	196,896	-	-	-	(3,069,668)
Pupil transportation	6,577,674	214,243	-	-	-	(6,363,431)
Operations and maintenance	15,820,741	76,924	-	-	-	(15,743,817)
Information technology	3,493,477	-	-	-	-	(3,493,477)
Food service	6,453,576	2,273,341	4,951,631	-	-	771,396
Interest on long-term debt	254,075	-	-	-	-	(254,075)
Total Primary Government	\$ 158,316,744	\$ 2,816,193	\$ 54,087,842	\$ -	\$ -	(101,412,709)
General revenues						
From primary government						48,171,651
Unrestricted grants and contributions						66,989,896
Investment earnings						270,797
Miscellaneous						1,507,880
Total general revenues						116,940,224
Change in net assets						15,527,515
Net assets - beginning of year						77,850,745
Net assets - end of year						\$ 93,378,260

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit III
Page 1 of 2

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	General	School Grants	School Food Services	School Textbook	School Construction	Total Governmental Funds
ASSETS						
Cash and temporary investments	\$ 16,808,300	\$ 1,916,349	\$ 2,054,336	\$ 1,456,718	\$ 16,952,300	\$ 39,188,003
Cash with fiscal agent	-	-	-	-	532,666	532,666
Receivables	27,978	54,109	156	-	-	82,243
Due from federal government	-	1,941,253	319,881	-	-	2,261,134
Due from Commonwealth of Virginia	996,953	18,126	3,182	-	-	1,018,261
Due from City of Portsmouth	-	-	-	-	622,477	622,477
Due from other funds	2,249,338	-	-	-	1,331,690	3,581,028
Inventory	671,349	-	40,459	186,474	-	898,282
Total assets	\$ 20,753,918	\$ 3,929,837	\$ 2,418,014	\$ 1,643,192	\$ 19,439,133	\$ 48,184,094
LIABILITIES						
Accounts payable	\$ 3,067,345	\$ 119,539	\$ 44,983	\$ -	\$ 1,191,064	\$ 4,422,931
Accrued payroll	8,902,491	112,606	79,363	1,717	-	9,096,177
Accrued payroll taxes	599,387	-	-	-	-	599,387
Due to City of Portsmouth	22,994	-	-	-	-	22,994
Deferred revenue	-	586,170	-	-	-	586,170
Due to other funds	907,630	2,673,398	-	-	-	3,581,028
Total liabilities	13,499,847	3,491,713	124,346	1,717	1,191,064	18,308,687
FUND BALANCES						
Reserved						
Encumbrances	6,582,722	-	693,523	6,919	19,333,872	26,617,036
Inventories	671,349	-	40,459	186,474	-	898,282
Capital projects	-	-	-	-	532,666	532,666
Unreserved						
Undesignated	-	438,124	1,559,686	1,448,082	(1,618,469)	1,827,423
Total fund balances	7,254,071	438,124	2,293,668	1,641,475	18,248,069	29,875,407
Total liabilities and fund balances	\$ 20,753,918	\$ 3,929,837	\$ 2,418,014	\$ 1,643,192	\$ 19,439,133	\$ 48,184,094

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit III, continued
Page 2 of 2

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets**

Total fund balances - governmental funds	\$ 29,875,407
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Net capital assets of governmental activities	\$ 69,284,866
Net capital assets of internal service funds	<u>(45,404)</u> 69,239,462
Some of the School Board's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	586,170
Amounts paid to the trust for other post-employment benefits in excess of the required contributions, the net OPEB asset, are not financial resources and, therefore, are not reported in the funds.	592,670
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.	
Long-term liabilities	
Governmental funds	(14,068,249)
Internal service funds - current portion	878,284
Internal service funds - long-term portion	<u>1,684,362</u> (11,505,603)
Accrued interest payable	(234,974)
Internal service funds are used by management to charge the costs of certain activities, such as printing and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	4,825,128
Total net assets - governmental activities	<u>\$ 93,378,260</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit IV
Page 1 of 2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2010

	General	School Grants	School Food Services	School Textbook	School Construction	Total Governmental Funds
Revenues						
Intergovernmental						
From City of Portsmouth	\$ 48,171,651	\$ -	\$ -	\$ -	\$ -	\$ 48,171,651
From Commonwealth of Virginia	87,088,050	4,071,597	104,820	-	-	91,264,467
From federal government	6,375,135	20,101,003	4,951,631	-	-	31,427,769
Donated commodities	-	-	420,343	-	-	420,343
Total intergovernmental	<u>141,634,836</u>	<u>24,172,600</u>	<u>5,476,794</u>	<u>-</u>	<u>-</u>	<u>171,284,230</u>
Charges for services	-	-	1,235,203	8,505	-	1,243,708
Interest	114,624	-	1,355	12,111	116,255	244,345
Miscellaneous	1,542,189	235,309	802,829	-	498,907	3,079,234
Total revenues	<u>143,291,649</u>	<u>24,407,909</u>	<u>7,516,181</u>	<u>20,616</u>	<u>615,162</u>	<u>175,851,517</u>
Expenditures						
Education						
Administration	4,908,924	714,823	-	-	-	5,623,747
Instruction	95,928,639	19,173,874	-	510,486	-	115,612,999
Attendance and health services	2,898,591	401,488	-	-	-	3,300,079
Pupil transportation	6,053,712	201,995	-	-	-	6,255,707
Information technology	3,515,259	-	-	-	-	3,515,259
Operation and maintenance	15,897,105	6,867	-	-	-	15,903,972
Food services	-	-	6,459,186	-	-	6,459,186
Capital outlay	2,190,516	2,267,264	387,796	-	8,106,873	12,952,449
Debt service						
Principal	571,338	-	-	-	-	571,338
Interest	278,856	-	-	-	-	278,856
Total expenditures	<u>132,242,940</u>	<u>22,766,311</u>	<u>6,846,982</u>	<u>510,486</u>	<u>8,106,873</u>	<u>170,473,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,048,709</u>	<u>1,641,598</u>	<u>669,199</u>	<u>(489,870)</u>	<u>(7,491,711)</u>	<u>5,377,925</u>
Other financing sources (uses)						
Transfers in	-	883,851	-	-	7,356,264	8,240,115
Transfers out	(8,240,115)	-	-	-	-	(8,240,115)
Total other financing sources (uses)	<u>(8,240,115)</u>	<u>883,851</u>	<u>-</u>	<u>-</u>	<u>7,356,264</u>	<u>-</u>
Net change in fund balances	<u>2,808,594</u>	<u>2,525,449</u>	<u>669,199</u>	<u>(489,870)</u>	<u>(135,447)</u>	<u>5,377,925</u>
Fund balance (deficit) - beginning of year	<u>4,445,477</u>	<u>(2,087,325)</u>	<u>1,624,469</u>	<u>2,131,345</u>	<u>18,383,516</u>	<u>24,497,482</u>
Fund balance - end of year	<u>\$ 7,254,071</u>	<u>\$ 438,124</u>	<u>\$ 2,293,668</u>	<u>\$ 1,641,475</u>	<u>\$ 18,248,069</u>	<u>\$ 29,875,407</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit IV, continued
Page 2 of 2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2010

**Reconciliation of the Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds \$ 5,377,925

Amounts reported for governmental activities in the statement of net assets
are different because:

Governmental funds report capital outlay as expenditures. However, in
the statement of activities the cost of these assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlay exceeded depreciation.

General government capital outlay expenditures	\$ 12,376,998	
Depreciation of general government assets	(2,407,407)	9,969,591

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (2,034,841)

Debt proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

Add debt repayment	571,337
Adjustment of accrued interest on long-term debt	24,782

Some expenses, such as compensated absences and net pension obligation,
reported in the statement of activities, do not require the use of current
financial resources and, therefore, are not reported as expenditures in
governmental funds.

Change in compensated absences and net pension obligation	(230,688)	
Change in net OPEB asset	(25,000)	(255,688)

Internal service funds are used by management to charge the cost of
certain activities, such as printing and insurance, to individual funds. The
net revenue of certain internal service funds is reported with governmental
activities.

1,874,409

Change in net assets of governmental activities \$ 15,527,515

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit V

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2010

	<u>ASSETS</u>	<u>Governmental Activities - Internal Service Funds</u>
Current assets		
Cash and temporary investments	\$ 7,270,766	
Due from other funds	69,025	
Due from other agencies	12,929	
Inventories	32,737	
Total current assets	<u>7,385,457</u>	
Noncurrent assets		
Capital assets		
Machinery and equipment	977,583	
Less - accumulated depreciation	(932,180)	
Total noncurrent assets	<u>45,403</u>	
Total assets	<u>\$ 7,430,860</u>	
LIABILITIES AND NET ASSETS		
Current liabilities		
Claims payable - current portion	\$ 878,284	
Accounts payable and accrued expenses	43,086	
Total current liabilities	<u>921,370</u>	
Noncurrent liabilities		
Claims payable - net of current portion	1,632,458	
Compensated absences	51,904	
Total noncurrent liabilities	<u>1,684,362</u>	
Total liabilities	<u>2,605,732</u>	
Net assets		
Invested in capital assets	45,403	
Unrestricted	4,779,725	
Total net assets	<u>4,825,128</u>	
Total liabilities and net assets	<u>\$ 7,430,860</u>	

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit VI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUNDS**

Year Ended June 30, 2010

	Governmental Activities - Internal Service Funds
Operating revenues	
Charges for services	\$ 3,385,138
Insurance recovery	1,132
Total operating revenues	3,386,270
Operating expenses	
Personnel services	381,837
Insurance claims and expenses	865,964
Contractual	97,387
Repairs and maintenance	4,585
Other supplies and expenses	181,023
Depreciation and amortization	7,517
Total operating expenses	1,538,313
Operating income	1,847,957
Nonoperating revenues	
Interest income	26,452
Total nonoperating revenues	26,452
Change in net assets	1,874,409
Total net assets - beginning of year	2,950,719
Total net assets - end of year	\$ 4,825,128

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit VII

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2010

	Governmental Activities - Internal Service Funds
Cash flows from operating activities	
Received from customers and users	\$ 3,340,492
Insurance recovery	1,132
Payments to suppliers for goods and services	(1,149,237)
Payments to employees	<u>(383,254)</u>
Net cash provided by operating activities	<u>1,809,133</u>
Cash flows from investing activities	
Interest received	26,452
Net cash provided by investing activities	<u>26,452</u>
Net change in cash and temporary investments	<u>1,835,585</u>
Cash and temporary investments - beginning of year	<u>5,435,181</u>
Cash and temporary investments - end of year	<u>\$ 7,270,766</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,847,957
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	7,517
Change in assets and liabilities	
Due from other governments	(3,103)
Due from other funds	(41,543)
Inventories	2,825
Vouchers and accounts payable	(31,004)
Claims payable	27,901
Change in compensated absences	<u>(1,417)</u>
Total adjustments	<u>(38,824)</u>
Net cash provided by operating activities	<u>\$ 1,809,133</u>

Supplemental information on significant non-cash transactions

There were no significant non-cash transactions.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit VIII

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

June 30, 2010

	ASSETS	School OPEB	
		Trust Fund	Agency Fund
Cash and temporary investments		<u>\$ 2,415,949</u>	<u>\$ 822,727</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Due to students		\$ -	\$ 822,727
Net assets			
Held in trust for other post-employment benefits		<u>2,415,949</u>	<u>-</u>
Total liabilities and net assets		<u>\$ 2,415,949</u>	<u>\$ 822,727</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit IX

STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

For the Year Ended June 30, 2010

	School OPEB Trust Fund
Additions	
Contributions	\$ 1,000,000
Investment earnings	13,663
Gains on investments	38,795
Total additions	<u>1,052,458</u>
Deductions	
Benefits - health insurance	<u>230,059</u>
Total deductions	<u>230,059</u>
Change in net assets	822,399
Net assets - beginning of year	<u>1,593,550</u>
Net assets - end of year	<u>\$ 2,415,949</u>

The accompanying notes are an integral part of the basic financial statements.

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit X

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements presented for the City of Portsmouth, Virginia School Board (School Board) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Board's significant accounting and reporting policies are described below.

The Financial Reporting Entity

The School Board is considered a component unit of the City of Portsmouth (City). The School Board has no component units. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the City of Portsmouth's basic financial statements because of the significance of the School Board's financial relationship with the City.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Board's policies. The members of the School Board are elected by the citizens of the City of Portsmouth.

The School Board is responsible for elementary and secondary education for the City of Portsmouth.

Basis of Presentation

The School Board's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the School Board as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities.

The statement of net assets presents the financial condition of the governmental type activities of the School Board at year-end. The School Board does not have any business-type activities. The government-wide statement of activities reflects both the gross and net cost per functional category that is otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with the function or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items such as grants not specific to a program, not properly included among program revenues, are reported as general revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The effect of interfund services provided and used, for example, print shop services, are not eliminated in the process of consolidation.

Fund Financial Statements - The accounts of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Governmental Funds - Governmental Funds are those through which most governmental functions of the School Board are financed. The acquisition, use and balances of the School Board's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The School Board reports the following major governmental funds:

General Fund - The General Fund (School Operating Fund) is the general operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily from other governments (intergovernmental revenues).

School Grants Fund - The School Grants Fund is a special revenue fund which accounts for federal, state and other grants associated with school programs.

School Food Services Fund - The School Food Services Fund is a special revenue fund which accounts for the operations of the cafeterias operating in each school.

School Textbook Fund - The School Textbook Fund is a special revenue fund which accounts for state funding for the acquisition of textbooks.

School Construction Fund - The School Construction Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the School Board reports the following fund types:

Internal Service Funds - The Internal Service Funds account for the financing of services provided by one fund to other funds of the School Board. The Risk Management Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board. The Print Shop Fund accounts for print shop services provided to other departments of the School Board or other governments on a cost reimbursement basis. Operating revenues include charges for services. Operating expenses include cost of services. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the funds are allocated to the appropriate functional activity.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School Board in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the School Board are the Student Activities Fund and the School OPEB Trust Fund. The Agency Fund accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The School Board also has a trust fund that holds the assets contributed for the costs of the Schools Board's other post-employment benefits for employees. Fiduciary Funds are not included in the government-wide financial statements.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The School Board generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The government-wide statement of net assets and statement of activities and all proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The statement of net assets, statement of activities and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The Governmental Fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, including grants, charges for services and interest income, are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally revenues collected within forty-five days of year-end are recognized. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

Fiduciary Funds are reported using the accrual basis of accounting. However, agency funds included in fiduciary funds do not involve the measurement of results of operations as they are custodial in nature.

Receivables and Due from Other Governments

Amounts due from the Commonwealth of Virginia consist primarily of June sales tax, receivables from state entitlements and reimbursement of grants expenditures. Amounts due from the Federal government are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of the School Board. All amounts should be collected within one year.

Inventory

Inventory is valued at cost (first-in, first-out). Inventory consists of consumable materials and supplies held for future consumption. Under the purchase method of accounting, the cost is recorded as expenditure in the general fund at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reservation which indicates the inventories do not constitute "available spendable resources."

Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Board's capitalization threshold of \$5,000 is met.

Depreciation and amortization is recorded on general capital assets on a government-wide basis using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 - 50 years
Equipment	5 - 30 years
Intangible assets	5 years

To the extent the School Board's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful life:

Equipment	5 - 8 years
-----------	-------------

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Board has no infrastructure assets.

Under Virginia law, certain property maintained by the School Board is subject to tenancy in common with the City, if the City has incurred a financial obligation for the property, which is payable over more than one fiscal year. The School Board and the City have agreed that such property, having a net book value of \$80,307,845 will be carried on the City's financial statements until the outstanding debt is repaid.

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death, may be compensated as salary related payments for certain amounts at their then current rates of pay. After five consecutive years of service, employees, upon retirement, termination or death may be compensated at a daily rate of \$20 for each unused sick leave day earned provided that the funds have been included in the approved annual budget.

Fund Balances/Net Assets

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Fund Balances - Reserved - indicates that a portion of fund equity which has been legally segregated for specific purposes or does not represent available expendable resources.

Fund Balances - Unreserved, Undesignated - represents the remainder of the School Board's equity in governmental fund-type balances.

Net Assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute.

Statement of Cash Flows

For purposes of the statement of cash flows, investments with original maturities of three months or less from the date of purchase are grouped into cash and temporary investments.

Use of Estimates

Management of the School Board has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Board's reporting of its financial position.

2. DEPOSITS AND INVESTMENTS

The School Board maintains individual segregated bank accounts for the School Grants, School Food Services and Print Shop funds. The General, Textbook, School Construction and Risk Management funds share a pooled cash account.

Deposits

At year-end, the carrying value of the School Board's deposits with banks and savings institutions was \$47,814,162 and the bank balance was \$48,434,269. The bank balances of the School Board's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the School Board. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and as a result are considered insured.

Summary of Deposits and Investments

Cash and cash equivalents	\$ 46,458,769
Cash with fiscal agent	532,666
Fiduciary fund cash and investments	<u>3,238,676</u>
	<u>\$ 50,230,111</u>

Investments

State statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime" quality commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The School Board does not have a formal investment policy. The City Treasurer's investment policies apply to the School Board's deposits and investments. The Treasurer's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The City's policy does not address foreign currency risk.

The School Board has \$532,666 in the School Construction Fund that is held with a fiscal agent. This amount is restricted for capital projects.

The School Board has \$2,415,949 in investments for the School OPEB Trust Fund. These investments include:

Cash and money market funds	\$ 1,925,049
Bond mutual funds	351,206
Equity mutual funds	<u>139,694</u>
	<u><u>\$ 2,415,949</u></u>

3. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2010, follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 6,146,793	\$ -	\$ 21,589	\$ 6,125,204
Construction in progress	<u>4,684,503</u>	<u>12,086,832</u>	<u>3,208,525</u>	<u>13,562,810</u>
Total capital assets - not being depreciated	<u>10,831,296</u>	<u>12,086,832</u>	<u>3,230,114</u>	<u>19,688,014</u>
Capital assets being depreciated/amortized				
Buildings and improvements	68,275,227	2,366,449	1,672,770	68,968,906
Equipment	19,797,348	2,404,331	742,764	21,458,915
Intangible assets	-	422,270	-	422,270
Total capital assets - being depreciated/amortized	<u>88,072,575</u>	<u>5,193,050</u>	<u>2,415,534</u>	<u>90,850,091</u>
Less accumulated depreciation/amortization				
Buildings	27,070,940	1,273,189	-	28,344,129
Equipment	12,510,139	1,090,408	742,764	12,857,783
Intangible assets	-	51,327	-	51,327
Total accumulated depreciation/amortization	<u>39,581,079</u>	<u>2,414,924</u>	<u>742,764</u>	<u>41,253,239</u>
Other capital assets - being depreciated/amortized - net	<u>48,491,496</u>	<u>2,778,126</u>	<u>1,672,770</u>	<u>49,596,852</u>
Governmental activities capital assets - net	<u><u>\$ 59,322,792</u></u>	<u><u>\$ 14,864,958</u></u>	<u><u>\$ 4,902,884</u></u>	<u><u>\$ 69,284,866</u></u>

Depreciation and amortization expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 1,850,259
Administration, attendance and health services	26,969
Pupil transportation	385,499
Operations and maintenance	78,289
Information technology	13,919
Food services	<u>59,989</u>
Total governmental activities depreciation expense	<u>\$ 2,414,924</u>

Contracts the School Board is committed to at June 30, 2010 are approximately \$19,333,000.

4. LONG-TERM LIABILITIES

Long-term liabilities are normally paid from the General Fund.

	Net Pension Obligation	Capital Leases	Accrued Vacation Pay	Accrued Sick Leave	Claims Payable	Total
Amounts payable at beginning of year	\$ 113,194	\$ 7,074,565	\$ 2,849,901	\$ 1,864,302	\$ 2,482,841	\$ 14,384,803
Increase in liabilities	246	-	1,434,281	229,410	820,101	2,484,038
Decrease in liabilities	-	(571,337)	(1,274,634)	(162,421)	(792,200)	(2,800,592)
Amounts payable at end of year	<u>\$ 113,440</u>	<u>\$ 6,503,228</u>	<u>\$ 3,009,548</u>	<u>\$ 1,931,291</u>	<u>\$ 2,510,742</u>	<u>\$ 14,068,249</u>
Amounts due within one year	\$ -	\$ 619,364	\$ 1,277,000	\$ 160,000	\$ 878,284	\$ 2,934,648

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net assets. Compensated absences are generally liquidated by general, grants, food services and print shop funds. Claims are generally liquidated by the general fund.

The future payments by year of the net pension obligation, accrued vacation pay and sick leave, and claims payable are not determinable.

Leases

A summary of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2010, is as follows:

<u>Fiscal year</u>	
2011	\$ 875,699
2012	901,970
2013	929,029
2014	956,900
2015	985,607
2016-2018	3,101,268
Total minimum payments	7,750,473
Less - amount representing interest	(1,247,245)
Present value of principal	\$ 6,503,228

5. DEFINED BENEFIT PENSION PLANS

Virginia Retirement System (VRS)

Plan Description

The School Board contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service or at age fifty with thirty years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive thirty-six months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Board. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate for non-professional employees for the fiscal years ended 2010, 2009, 2008, 2007, and 2006, was 14%, 14%, 15%, 14%, and 12%, respectively, of annual covered payroll.

Additionally, required contributions to the VRS' state-wide teacher pool for the current year and each of the two preceding years were as follows:

Year Ended June 30,	Annual		
	Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 8,999,661	\$ 8,999,661	100%
2009	\$ 11,099,159	\$ 11,099,159	100%
2008	\$ 11,948,682	\$ 11,948,682	100%

Annual Pension Cost

The School Board's annual pension cost and net pension obligation to VRS for non-professional employees for the current year were as follows:

Annual required contribution	\$ 1,098,165
Interest on net pension obligation	8,490
Adjustment to annual required contribution	<u>(8,244)</u>
Annual pension cost	1,098,411
Contributions made	<u>1,098,165</u>
Increase in net pension obligation	246
Net pension obligation - beginning of year	<u>113,194</u>
Net pension obligation - end of year	\$ 113,440

The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 3.75% to 5.6% per year and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over a period of nineteen years.

Trend Information for the School Board

Year Ended June 30,	Annual		Net Pension Obligation
	Pension Cost (APC)	Percentage of APC Contributed	
2010	\$ 1,098,411	100%	\$ 113,440
2009	\$ 1,144,971	100%	\$ 113,194
2008	\$ 946,642	100%	\$ 112,948

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the schedule of funding progress for the pension plan is presented below. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded)		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
			Actuarial Accrued Liability (UAAL)	Covered Payroll			
June 30, 2009	\$26,438,978	\$32,184,146	\$ (5,745,168)	82.15%	\$ 8,645,713	66.45%	
June 30, 2008	\$26,548,549	\$30,249,399	\$ (3,700,850)	87.77%	\$ 8,007,998	46.21%	
June 30, 2007	\$24,480,702	\$27,907,908	\$ (3,427,206)	87.72%	\$ 8,046,557	42.59%	

6. OTHER LIABILITIES AND CONTINGENCIES

Risk Management

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board is self-insured for a portion of these risks. The self-insurance coverage for workers' compensation is \$250,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. General liability is fully insured. This insurance coverage is substantially the same as in prior fiscal years. There were no settlements within the past three years which exceeded coverage.

The Risk Management and Insurance Fund services all claims of risk of loss to which the School Board is exposed, including workers' compensation, automobile and general liability. All funds of the School Board participate in the Risk Management Fund.

A loss analysis was conducted by Mercer Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2010, was determined to be \$2,510,742 (undiscounted) and recorded in the internal service fund and the government-wide statements, accordingly.

Changes in the fund's claim liability amount for fiscal years ended June 30 were:

	2010	2009
Claims payable - beginning of year	\$ 2,482,841	\$ 1,969,691
Claims and changes in estimates	820,101	1,052,503
Claims payments	<u>(792,200)</u>	<u>(539,353)</u>
Claims payable - end of year	<u>\$ 2,510,742</u>	<u>\$ 2,482,841</u>

Litigation

The School Board is involved in lawsuits arising in the ordinary course of operations. It is the opinion of the School Board's management, based on the advice of the School Board's attorney, that any losses incurred as a result of claims existing as of June 30, 2010 will not be material to the financial statements.

Grants

The School Board received grant funds, principally from the State and Federal governments, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Board is contingently liable to refund amounts received in excess of allowable expenditures. Based on prior experience, School Board management believes such refunds, if any, will not be significant.

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2010, which are considered short-term in nature, are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,249,338	\$ 907,630
School Grants Fund	-	2,673,398
School Construction Fund	<u>1,331,690</u>	<u>-</u>
	<u>\$ 3,581,028</u>	<u>\$ 3,581,028</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2010, consisted of the following:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ -	\$ 8,240,115
School Grants Fund	883,851	-
School Construction Fund	<u>7,356,264</u>	<u>-</u>
	<u>\$ 8,240,115</u>	<u>\$ 8,240,115</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

8. POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The School Board administers a single-employer defined benefit healthcare plan. It provides medical insurance benefits to eligible retirees and their spouses in accordance with the school's personnel policies and procedures. Plan membership as of June 30, 2010 consisted of 2,351 active service participants and 108 retirees and beneficiaries currently receiving benefits. A Trust was established for the purpose of accumulating and investing assets to fund other post-employment benefits obligations. Amounts contributed to the Trust by the School Board are irrevocable and must be used solely to discharge the School Board's obligations for other post-employment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the School Board's financial statements. Separate stand-alone statements are not issued for the plan.

Significant Accounting Policies

The OPEB Trust is a fiduciary-type fund of the School Board. Fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value based on quoted market prices.

Funding Policy

The contribution requirements of plan members and the School Board are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For FY09-10, the School Board contributed \$1,000,000 to the plan to pay current benefits and to prefund benefits.

Annual OPEB cost and Net OPEB Obligation

The School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters established in GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities, or funding excess, over a period not to exceed thirty years.

The following table shows the components of the School Board's annual OPEB cost for the year and the amount actually contributed to the plan, as well as the changes in the School Board's net OPEB obligation.

**OPEB Calculation Based on Projected Unit Cost
and Level Percentage of Pay Amortization**

Annual required contribution	\$ 1,045,600
Interest on net OPEB obligation	(87,900)
Adjustment to annual required contribution	<u>67,300</u>
Annual OPEB cost (expense)	1,025,000
Contributions made	<u>(1,000,000)</u>
Decrease in net OPEB asset	25,000
Net OPEB asset - beginning of year	<u>(617,670)</u>
Net OPEB asset - end of year	<u>\$ (592,670)</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2010	\$ 1,025,000	\$ 1,000,000	98%	\$ (592,670)
June 30, 2009	\$ 1,004,077	\$ 1,250,252	125%	\$ (617,670)
June 30, 2008	\$ 486,533	\$ 858,028	176%	\$ (371,495)

Funded Status and Funding Progress

Based on the most recent actuarial valuation report for the fiscal year ended June 30, 2008, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 10,802,915
Actuarial value of plan assets	<u>650,000</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 10,152,915</u>
Funded ratio (actuarial value of plan assets/AAL)	6%
Covered payroll (active plan participants)	\$ 95,870,390
UAAL as a percentage of covered payroll	11%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the School Board's annual required contributions are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2008. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

In the June 30, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7% investment rate of return (discount rate) and amortization of the Schools' unfunded actuarial accrued liabilities (UAAL) over a period of thirty years on a closed basis. Healthcare cost trend rates ranged from 10% initially to an ultimate rate of 5% for the 2013 fiscal year.

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***REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)***

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XI

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From City of Portsmouth	\$ 48,171,651	\$ 48,171,651	\$ 48,171,651	\$ -
From Commonwealth of Virginia	92,840,253	92,840,253	87,088,050	(5,752,203)
From federal government	6,530,282	6,530,282	6,375,135	(155,147)
Interest	285,000	285,000	114,624	(170,376)
Miscellaneous	1,105,000	1,105,000	1,542,189	437,189
Total revenues	148,932,186	148,932,186	143,291,649	(5,640,537)
Expenditures				
Education				
Administration	3,927,579	3,871,912	5,072,044	(1,200,132)
Instruction	107,079,502	107,064,241	97,150,433	9,913,808
Attendance and health services	3,117,540	3,117,540	2,804,588	312,952
Pupil transportation	6,845,297	6,651,321	5,869,487	781,834
Operations and maintenance	16,843,503	16,763,582	18,146,741	(1,383,159)
Information technology	3,817,804	3,306,785	3,817,725	(510,940)
Total education	141,631,225	140,775,381	132,861,018	7,914,363
Capital outlay	2,582,325	3,438,169	2,190,516	1,247,653
Total expenditures	144,213,550	144,213,550	135,051,534	9,162,016
Excess of revenues over expenditures	4,718,636	4,718,636	8,240,115	3,521,479
Other financing uses				
Transfers out	(4,718,636)	(4,718,636)	(8,240,115)	(3,521,479)
Excess of revenues over expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning of year			4,445,477	
Increase in reserve for encumbrances			2,787,743	
Increase in reserve for inventory			20,851	
Fund balance - end of year			\$ 7,254,071	

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XII

SCHOOL GRANTS FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget
				Positive (Negative)
Revenues				
Intergovernmental				
From Commonwealth of Virginia	\$ 3,406,480	\$ 3,406,480	\$ 4,071,597	\$ 665,117
From federal government	17,384,031	17,384,031	20,101,003	2,716,972
Miscellaneous	65,874	65,874	235,309	169,435
Total revenues	20,856,385	20,856,385	24,407,909	3,551,524
Expenditures				
Education				
Administration	1,115,251	1,115,251	1,116,311	(1,060)
Instruction	18,528,430	18,528,430	19,173,874	(645,444)
Operations and maintenance	527,263	527,263	208,862	318,401
Total education	20,170,944	20,170,944	20,499,047	(328,103)
Capital outlay	1,841,012	1,841,012	2,267,264	(426,252)
Total expenditures	22,011,956	22,011,956	22,766,311	(754,355)
Excess of revenues over expenditures	(1,155,571)	(1,155,571)	1,641,598	2,797,169
Other financing uses				
Transfers in	1,155,571	1,155,571	883,851	(271,720)
Excess of revenues over expenditures and other financing uses	\$ -	\$ -	2,525,449	\$ 2,525,449
Fund balance - beginning of year				(2,087,325)
Net accruals and adjustments				-
Fund balance - end of year			\$ 438,124	

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XIII

SCHOOL FOOD SERVICES FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From Commonwealth of Virginia	\$ 118,000	\$ 118,000	\$ 104,820	\$ (13,180)
From federal government	4,440,610	4,440,610	4,951,631	511,021
Donated commodities from the federal government	400,000	400,000	420,343	20,343
Charges for services	1,681,000	1,681,000	1,235,203	(445,797)
Interest	-	-	1,355	1,355
Miscellaneous	510,000	510,000	802,829	292,829
Total revenues	7,149,610	7,149,610	7,516,181	366,571
Expenditures				
Food services	7,149,610	7,149,610	6,440,344	709,266
Capital outlay	-	-	387,796	(387,796)
Total expenditures	7,149,610	7,149,610	6,828,140	321,470
Excess of revenues over expenditures	\$ -	\$ -	688,041	\$ 688,041
Fund balance - beginning of year			1,624,469	
Decrease in reserve for inventory			(18,842)	
Fund balance - end of year			\$ 2,293,668	

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XIV

SCHOOL TEXTBOOK FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From Commonwealth of Virginia	\$ 1,308,840	\$ 1,308,840	\$ -	\$ (1,308,840)
Charges for services	-	-	8,505	8,505
Interest	-	-	12,111	12,111
Total revenues	1,308,840	1,308,840	20,616	(1,288,224)
Expenditures				
Instruction	1,308,840	1,308,840	406,265	902,575
Total expenditures	1,308,840	1,308,840	406,265	902,575
Excess of expenditures over revenues	\$ -	\$ -	(385,649)	\$ (385,649)
Fund balance - beginning of year			2,131,345	
Increase in reserve for encumbrances			6,919	
Decrease in reserve for inventory			(111,140)	
Fund balance - end of year			\$ 1,641,475	

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XV

**SCHEDULE OF FUNDING PROGRESS FOR
 DEFINED BENEFIT PENSION PLAN (UNAUDITED)**

Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Overfunded (Unfunded)			Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)				
June 30, 2009	\$ 26,438,978	\$ 32,184,146	\$ (5,745,168)	82.15%	\$ 8,645,713	66.45%	
June 30, 2008	26,548,549	30,249,399	(3,700,850)	87.77%	8,007,998	46.21%	
June 30, 2007	24,480,702	27,907,918	(3,427,216)	87.72%	8,046,557	42.59%	

**SCHEDULE OF FUNDING PROGRESS FOR
 OTHER POST-EMPLOYMENT BENEFIT PLAN (UNAUDITED)**

Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Overfunded (Unfunded)			Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)				
June 30, 2008	\$ 650,000	\$ 10,802,915	\$ (10,152,915)	6.02%	\$ 95,870,390	10.59%	
June 30, 2007	-	4,531,972	(4,531,972)	0.00%	92,199,238	4.92%	

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XVI

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2010

1. BUDGETS AND BUDGETARY ACCOUNTING

The budget data reflected in the financial statements was created by the School Board using the procedures which follow:

- 1) The School Board submits to the City Council of the City a proposed operating budget for the General and Special Revenue Funds for the forthcoming fiscal year by April 1. The legal level of budgetary control rests at the fund level for the General and Special Revenue Funds. Management control is exercised over the budgets at the budgetary line item level.
- 2) The budgets are legally enacted through passage of an ordinance by the City Council forty-five days prior to the end of the current fiscal year.
- 3) The School Board is authorized to make transfers between budgetary line items; however, revisions that alter the total expenditures of the total budget must be approved by the City Council.
- 4) The General Fund and Special Revenue Fund have a legally adopted annual budget. The General Fund and Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for the recognition of encumbrances as expenditures. Budgets related to the School Construction Fund are adopted on a project basis.
- 5) The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year. According to the City of Portsmouth, Virginia Code, unexpended, unencumbered appropriations lapse at the end of the year.

SUPPLEMENTARY INFORMATION

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 1

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2010

	Print Shop	Risk Management	Total
ASSETS			
Current assets			
Cash and temporary investments	\$ 788,929	\$ 6,481,837	\$ 7,270,766
Due from other funds	69,025	-	69,025
Due from other agencies	12,929	-	12,929
Inventories	32,737	-	32,737
Total current assets	903,620	6,481,837	7,385,457
Noncurrent assets			
Capital assets			
Machinery and equipment	977,583	-	977,583
Less - accumulated depreciation	(932,180)	-	(932,180)
Total capital assets	45,403	-	45,403
Total assets	\$ 949,023	\$ 6,481,837	\$ 7,430,860
LIABILITIES			
Current liabilities			
Claims payable - current portion	\$ -	\$ 878,284	\$ 878,284
Salaries payable	12,465	-	12,465
Accounts payable	30,621	-	30,621
Total current liabilities	43,086	878,284	921,370
Noncurrent liabilities			
Claims payable - less current portion	-	1,632,458	1,632,458
Compensated absences	51,904	-	51,904
Total long-term liabilities	51,904	1,632,458	1,684,362
Total liabilities	94,990	2,510,742	2,605,732
NET ASSETS			
Invested in capital assets	45,403	-	45,403
Unrestricted	808,630	3,971,095	4,779,725
Total net assets	854,033	3,971,095	4,825,128
Total liabilities and net assets	\$ 949,023	\$ 6,481,837	\$ 7,430,860

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 2

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 FUND NET ASSETS - INTERNAL SERVICE FUNDS**

Year Ended June 30, 2010

	Print Shop	Risk Management	Total
Operating revenues			
Charges for services	\$ 729,436	\$ 2,655,702	\$ 3,385,138
Insurance recovery	-	1,132	1,132
Total operating revenues	729,436	2,656,834	3,386,270
Operating expenses			
Personnel services	381,837	-	381,837
Insurance claims and expenses	-	865,964	865,964
Contractual services	97,387	-	97,387
Repairs and maintenance	4,585	-	4,585
Other supplies and expenses	181,023	-	181,023
Depreciation and amortization	7,517	-	7,517
Total operating expenses	672,349	865,964	1,538,313
Operating income	57,087	1,790,870	1,847,957
Nonoperating revenue			
Interest income	-	26,452	26,452
Total nonoperating revenue	-	26,452	26,452
Change in net assets	57,087	1,817,322	1,874,409
Net assets - beginning of year	796,946	2,153,773	2,950,719
Net assets - end of year	\$ 854,033	\$ 3,971,095	\$ 4,825,128

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 3

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2010

	Print Shop	Risk Management	Total
Cash flows from operating activities			
Received from customers and users	\$ 684,790	\$ 2,655,702	\$ 3,340,492
Insurance recovery	-	1,132	1,132
Payments to suppliers for goods and services	(249,549)	(899,688)	(1,149,237)
Payments to employees	(383,254)	-	(383,254)
Net cash provided by operating activities	51,987	1,757,146	1,809,133
Cash flows from investing activities			
Interest received	-	26,452	26,452
Net cash provided by investing activities	-	26,452	26,452
Net change in cash and temporary investments	51,987	1,783,598	1,835,585
Cash and temporary investments - beginning of year	736,942	4,698,239	5,435,181
Cash and temporary investments - end of year	\$ 788,929	\$ 6,481,837	\$ 7,270,766
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 57,087	\$ 1,790,870	\$ 1,847,957
Adjustments to reconcile net operating income to net cash provided by operating activities			
Depreciation and amortization	7,517	-	7,517
Change in assets and liabilities			
Due from other governments	(3,103)	-	(3,103)
Due from other funds	(41,543)	-	(41,543)
Inventories	2,825	-	2,825
Vouchers and accounts payable	30,621	(61,625)	(31,004)
Claims payable	-	27,901	27,901
Change in compensated absences	(1,417)	-	(1,417)
Total adjustments	(5,100)	(33,724)	(38,824)
Net cash provided by operating activities	\$ 51,987	\$ 1,757,146	\$ 1,809,133

Supplemental information on significant non-cash transactions

There were no significant non-cash transactions

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 4

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES

Year Ended June 30, 2010

ASSETS	Balance		Additions	Deductions	Balance	
	July 1, 2009					June 30, 2010
Cash and temporary investments	\$ 731,215		\$ 1,804,388	\$ 1,712,876		\$ 822,727
LIABILITIES						
Due to students	\$ 731,215		\$ 1,804,388	\$ 1,712,876		\$ 822,727

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STATISTICAL SECTION

(Unaudited)

This part of the City of Portsmouth, Virginia School Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health as shown on pages 49 through 63.

Financial Trends

These schedules contain trend information to help the reader comprehend how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, food service sales.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

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Table 1

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia**

**NET ASSETS BY COMPONENT (unaudited)
LAST NINE FISCAL YEARS
(accrual basis of accounting)**

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities									
Invested in capital assets - net of related debt	\$ 62,781,638	\$ 52,248,227	\$ 49,912,031	\$ 44,931,980	\$ 36,504,731	\$ 38,854,790	\$ 37,412,004	\$ 34,173,737	\$ 33,554,689
Restricted									
Grant compliance									
Capital Projects	532,666	829,897	-	-	347,430	1,654,671	1,357,929	1,545,299	-
Unrestricted	30,063,956	24,772,621	4,203,589	4,384,612	-	-	-	-	-
Total governmental activities net assets	\$ 93,378,260	\$ 77,856,745	\$ 16,157,850	\$ 9,034,546	\$ 9,057,344	\$ 4,757,151	\$ 4,910,804	\$ 8,854,713	\$ 5,668,611
						\$ 58,688,568	\$ 47,216,746	\$ 44,968,870	\$ 43,868,107
									\$ 39,223,300

Note: PPS converted financial records to GASB34 format in 2002. PPS opted not to convert data prior to 2002 to GASB34 format.

Source: Comprehensive Annual Financial Report for the relevant year

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia**

Table 2

**CHANGES IN NET ASSETS (unaudited)
LAST NINE FISCAL YEARS
(accrual basis of accounting)**

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses									
Governmental activities									
Administration	\$ 5,593,602	\$ 5,655,194	\$ 5,281,050	\$ 3,808,174	\$ 3,386,754	\$ 3,086,711	\$ 3,416,935	\$ 2,656,805	\$ 2,827,948
Instruction	116,857,035	126,005,907	118,518,877	115,070,507	103,745,706	99,883,747	94,328,782	89,488,370	89,485,404
Attendance and health services	3,266,564	3,603,084	3,212,266	3,213,924	3,277,834	2,836,441	3,023,549	3,024,078	2,702,121
Pupil transportation	6,577,674	7,273,274	7,359,321	6,605,055	6,332,823	5,429,111	5,332,389	4,586,066	4,200,016
Operations and maintenance	15,820,741	18,619,097	15,492,941	14,914,931	16,498,396	15,652,607	15,047,717	15,782,128	14,159,569
Information technology	3,493,477	5,703,015	5,998,593	4,756,984	4,949,187	3,740,252	970,603	-	-
Food service	6,453,576	7,258,248	6,940,737	6,704,880	6,657,855	6,561,790	6,328,371	6,534,184	6,625,435
Interest on long-term debt	254,075	258,233	296,789	297,069	371,917	11,383	17,314	33,600	30,777
Total primary government	\$ 158,316,744	\$ 174,376,052	\$ 163,100,574	\$ 155,371,524	\$ 145,220,472	\$ 137,182,042	\$ 128,465,660	\$ 122,105,231	\$ 120,031,270
Program Revenues									
Governmental activities									
Charges for services									
Food services	\$ 2,273,341	\$ 2,338,403	\$ 1,731,977	\$ 1,878,133	\$ 2,084,713	\$ 1,843,734	\$ 1,788,902	\$ 1,814,162	\$ 1,609,687
Pupil transportation	214,243	499,889	496,259	491,238	196,116	322,544	399,928	120,492	88,759
Other	328,609	451,267	399,121	408,374	496,585	248,717	606,902	971,996	651,999
Operating grants and contributions									
Instruction	49,136,211	46,544,936	51,935,625	46,477,689	40,985,761	38,732,541	32,672,298	35,153,109	34,200,843
Food services	4,951,631	4,951,412	4,891,034	4,874,151	4,782,084	4,686,574	4,410,062	4,632,097	4,801,461
Other	-	-	-	-	-	-	577	96,377	419,195
Capital grants and contributions									
Total governmental activities program revenue	\$ 56,904,035	\$ 56,240,963	\$ 61,333,949	\$ 55,818,270	\$ 50,457,347	\$ 48,179,371	\$ 46,271,153	\$ 43,354,378	\$ 10,176,902
Net (Expense)/Revenue									
Governmental activities	\$(101,412,709)	\$((118,135,089)	\$(\$101,766,6225)	\$(\$99,553,254)	\$(\$94,763,125)	\$(\$89,002,671)	\$(\$83,959,838)	\$(\$74,952,620)	\$(\$68,082,424)
General Revenues and Other Changes in Net Assets									
Governmental activities									
Unrestricted grants and contributions	\$ 115,161,547	\$ 123,806,569	\$ 111,806,654	\$ 110,786,754	\$ 96,768,950	\$ 89,873,769	\$ 82,412,727	\$ 78,615,389	\$ 75,857,334
Investment earnings	270,797	498,527	945,002	793,744	630,641	199,291	90,611	112,636	181,064
Miscellaneous	1,507,880	1,607,268	589,871	209,103	27,774	31,374	14,637	29,745	10,605
Special item	-	-	-	-	(784,133)	-	(116,789)	-	-
Total governmental activities	\$ 116,940,224	\$ 125,712,364	\$ 113,341,527	\$ 111,789,601	\$ 96,643,232	\$ 90,104,434	\$ 82,401,186	\$ 78,757,770	\$ 76,049,003
Change in Net Assets									
Governmental activities	\$ 15,527,515	\$ 7,577,275	\$ 11,574,902	\$ 12,236,347	\$ 1,880,107	\$ 1,101,763	\$ (1,558,652)	\$ 3,805,150	\$ 7,966,579

Note: PPS converted financial records to GASB34 format in 2002. PPS opted not to convert data prior to 2002 to GASB34 format.
Source: Comprehensive Annual Financial Report for the relevant year

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

Table 3

	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund									
Reserved	\$ 7,254,071	\$ 4,445,477	\$ 5,831,280	\$ 4,500,831	\$ 4,725,734	\$ 5,927,212	\$ 6,235,088	\$ 8,639,022	\$ 7,128,870
Total General Fund	<u>\$ 7,254,071</u>	<u>\$ 4,445,477</u>	<u>\$ 5,831,280</u>	<u>\$ 4,500,831</u>	<u>\$ 4,725,734</u>	<u>\$ 5,927,212</u>	<u>\$ 6,235,088</u>	<u>\$ 8,639,022</u>	<u>\$ 7,128,870</u>
All Other Governmental Funds									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 347,430	\$ 1,654,671	\$ 1,357,929	\$ 1,545,299	\$ -
Grants	733,982	153,171	76,521	36,728	38,237	-	32,001	34,965	68,388
Food Services	19,866,538	7,489,787	9,527,957	5,916,981	-	1,129,244	-	-	90,781
Capital Projects	193,393	297,614	330,263	308,882	-	-	-	-	-
Textbook									
Unreserved, reported in									
Grants	438,124	(2,087,325)	(3,155,944)	(993,945)	(470,375)	(159,155)	(536,786)	-	-
Food Services	1,559,886	1,471,298	1,933,852	2,317,143	2,319,131	2,240,739	2,252,567	2,355,468	2,409,253
Capital Projects	(1,618,469)	10,893,729	2,877,337	2,882,639	7,140,000	18,277	(2,266,708)	2,022,253	411,373
Textbook	1,448,082	1,833,731	665,597	104,804	-	-	-	-	-
Total all other governmental funds	<u>\$ 22,621,336</u>	<u>\$ 20,052,005</u>	<u>\$ 12,255,583</u>	<u>\$ 10,920,662</u>	<u>\$ 10,681,664</u>	<u>\$ 4,619,035</u>	<u>\$ 4,765,426</u>	<u>\$ 4,446,109</u>	<u>\$ 2,911,407</u>

Note: PPS converted financial records to GASB34 format in 2002. PPS opted not to convert data prior to 2002 to GASB34 format.

Source: Comprehensive Annual Financial Report for the relevant year

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

Table 4

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues									
Intergovernmental									
Federal grants	\$ 31,427,769	\$ 18,168,051	\$ 15,003,073	\$ 18,013,124	\$ 18,255,075	\$ 17,608,987	\$ 16,115,547	\$ 15,919,634	\$ 14,534,710
Federal donated commodities	420,343	386,720	-	-	89,004,492	86,360,715	78,750,543	385,996	394,177
State grants and other	91,264,467	109,377,771	102,341,706	101,872,969	36,939,444	31,543,601	28,802,407	78,346,433	78,617,044
City of Portsmouth	48,171,651	49,862,858	50,002,154	42,936,433	-	-	-	28,166,130	31,563,811
Local									
Charges for services	1,243,708	1,316,139	1,255,369	1,408,694	1,425,495	1,388,465	1,383,724	1,534,025	1,429,548
Interest	244,345	388,622	822,311	759,818	557,804	174,968	74,954	107,714	179,058
Miscellaneous	3,079,234	3,497,614	2,256,972	1,984,185	1,761,915	1,393,791	1,658,997	1,400,470	1,344,498
	<u>175,851,517</u>	<u>182,997,775</u>	<u>171,681,585</u>	<u>166,975,223</u>	<u>147,944,225</u>	<u>138,470,527</u>	<u>126,786,172</u>	<u>125,860,402</u>	<u>128,062,846</u>
Expenditures									
Education									
Administration	5,623,747	5,643,305	5,307,991	3,851,694	3,367,420	3,077,453	3,065,160	2,641,677	2,795,487
Instruction	115,612,999	116,852,905	115,371,028	116,186,858	101,365,515	95,286,713	91,141,849	86,297,662	84,817,579
Attendance and health services	3,300,079	3,599,974	3,232,828	3,260,561	3,270,297	2,838,577	3,014,440	3,026,725	2,678,998
Pupil transportation	6,255,707	6,937,753	7,110,037	5,873,848	5,899,213	5,017,220	4,826,015	4,258,871	3,744,564
Information technology	3,515,259	5,670,499	6,011,697	4,741,880	4,858,538	3,680,937	921,747	-	-
Operation and maintenance	15,903,972	18,479,476	15,506,446	14,850,521	16,374,494	15,554,177	15,002,639	11,639,729	11,567,097
Food services	6,459,186	7,196,433	6,833,774	6,751,691	6,579,699	6,500,155	6,278,051	6,462,611	6,717,219
Debt service	-	-	-	-	-	-	-	-	-
Principal	571,338	525,848	482,776	388,469	-	-	-	-	-
Interest	278,856	297,266	296,789	366,769	-	-	-	10,643	247,616
Capital outlay	12,952,449	11,383,697	8,862,849	10,688,837	9,853,137	6,955,168	7,063,486	8,102,289	14,095,068
Total Expenditures	<u>170,473,592</u>	<u>176,587,156</u>	<u>169,016,215</u>	<u>166,961,128</u>	<u>151,568,313</u>	<u>138,910,400</u>	<u>131,313,387</u>	<u>122,440,207</u>	<u>126,663,628</u>
Excess (deficiency) of revenues over expenditures									
Other financing sources (uses)	<u>5,377,925</u>	<u>6,410,619</u>	<u>2,665,370</u>	<u>14,095</u>	<u>(3,624,088)</u>	<u>(439,873)</u>	<u>(4,527,215)</u>	<u>3,420,195</u>	<u>1,399,218</u>
Transfers in	8,240,115	11,720,790	7,286,159	5,971,239	3,497,412	774,354	867,642	739,399	855,411
Transfers out	(8,240,115)	(11,720,790)	(7,286,159)	(5,971,239)	(3,497,412)	(774,354)	(867,642)	(739,399)	(855,411)
Total Other Financing Sources (Uses)	<u>\$ 5,377,925</u>	<u>\$ 6,410,619</u>	<u>\$ 2,665,370</u>	<u>\$ 14,095</u>	<u>\$ (3,624,088)</u>	<u>\$ (439,873)</u>	<u>\$ (4,527,215)</u>	<u>\$ 3,420,195</u>	<u>\$ 1,399,218</u>
Ratio of debt service expenditures to noncapital expenditures	0.54%	0.50%	0.49%	0.49%	0.00%	0.00%	0.00%	0.01%	0.22%

Note: PPS converted financial records to GASB34 format in 2002. PPS opted not to convert data prior to 2002 to GASB34 format.

Source: Comprehensive Annual Financial Report for relevant year

Table 5

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

OPERATING INDICATORS (unaudited)
OWN-SOURCE REVENUE
LAST NINE FISCAL YEARS

Enrollment	2010	2009	2008	2007	2006	2005	2004	2003	2002
Level									
Elementary	8,444	8,321	8,193	8,538	8,575	7,410	7,766	7,887	8,266
Middle	1,908	2,080	2,031	2,034	2,350	3,615	3,587	3,755	3,760
High	3,916	4,020	3,982	4,191	4,510	4,252	4,445	4,207	4,058
Special Centers	783	686	697	483	591	802	695	128	178
School Lunches									
Full	\$ 116,604	\$ 122,420	\$ 637,770	\$ 642,493	\$ 635,614	\$ 577,682	\$ 653,222	\$ 660,768	\$ 707,094
Reduced	295,092	313,566	140,030	151,055	150,229	155,677	152,257	169,783	194,008
Free	2,868,045	2,511,373	972,755	993,511	1,030,888	1,060,674	1,022,152	1,077,868	1,124,657
Total	\$ 3,279,741	\$ 2,947,359	\$ 1,750,555	\$ 1,787,059	\$ 1,816,731	\$ 1,794,033	\$ 1,827,631	\$ 1,908,419	\$ 2,025,759
School Breakfasts									
Full	\$ 106,348	\$ 99,421	\$ 430,486	\$ 475,673	\$ 482,397	\$ 462,233	\$ 1,827,631	\$ 411,773	\$ 392,994
Reduced	159,261	141,497	107,301	122,279	119,640	113,906	426,531	110,177	108,858
Free	1,343,457	1,174,088	730,901	784,313	800,387	794,766	110,777	837,780	891,695
Total	\$ 1,609,566	\$ 1,415,007	\$ 1,268,688	\$ 1,382,265	\$ 1,402,424	\$ 1,370,905	\$ 2,364,939	\$ 1,359,730	\$ 1,393,547
Meal Prices									
Breakfast									
Elementary	Free								
Middle	Free								
High	Free								
Adult Ed	\$ 1.00	\$ 1.00	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.50	\$ 0.50	\$ 0.50
Lunches									
Elementary	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 0.85	\$ 0.85	\$ 0.75	\$ 0.75	\$ 0.65
Middle	1.25	1.25	1.25	1.25	0.95	0.95	0.85	0.85	0.75
High	1.25	1.25	1.25	1.25	0.95	0.95	0.85	0.85	0.75
Reduced	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Adult Ed	2.75	2.75	2.75	2.00	2.00	2.00	1.75	1.75	1.50

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.
Source: Portsmouth Public Schools - Food Services Division

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia**

CAPITAL LEASES (*unaudited*)

Table 6

Year	Principal	Interest	Total Payment	1		2		1÷2	Total Percentage of Guaranteed Savings
				Guaranteed Savings per Year	Percentage of Guaranteed Savings per Year	Guaranteed Savings per Year	Percentage of Guaranteed Savings per Year		
2010	\$ 619,364	\$ 256,335	\$ 875,699	\$ 879,516	99.56601%	\$ 905,901	99.566017%	11.19664%	11.19664%
2011	670,048	231,922	901,970	905,901	99.566017%	933,078	99.56606%	11.53274%	11.53274%
2012	723,518	205,511	929,029	961,071	99.56601%	956,900	99.56601%	11.87872%	11.87872%
2013	779,908	176,992	956,900	989,903	99.56602%	1,015,175	1,019,600	12.23508%	12.23508%
2014	839,356	146,251	985,607	1,045,630	12.60214%	113,166	1,050,188	12.98020%	12.98020%
2015	902,009	113,166	1,015,175	1,081,694	13.36960%	77,612	1,040,463	13.30354%	13.30354%
2016	968,018	77,612	1,045,630						
2017	1,001,007	39,456	1,040,463						
	\$ 6,503,228	\$ 1,247,245	\$ 7,750,473	\$ 7,820,951					

Source: Citimortgage Master lease Rental Payment Schedule

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

DEMOGRAPHIC AND ECONOMIC STATISTICS (unaudited)
LAST NINE FISCAL YEARS

Table 7

Year	Population (1)	Personal Income (thousands in dollars) (3)	Per Capita Personal Income (3)	Median Age (1)	School Enrollment (2)	Unemployment Rate (1)
2010	99,321	*	*	34.5	14,224	9.10%
2009	100,577	\$ 3,395,000	\$ 30,123	34.4	14,331	5.20%
2008	101,967	3,061,000	30,029	34.9	14,287	4.20%
2007	99,546	2,908,000	28,866	34.8	14,990	4.30%
2006	98,318	1,834,195	27,799	34.8	15,243	4.90%
2005	100,169	1,542,795	25,171	34.9	15,309	6.20%
2004	97,800	1,539,640	23,835	34.4	15,642	6.90%
2003	97,600	1,552,260	22,173	34.4	15,928	6.30%
2002	97,802				16,221	6.30%

* Information not available at this time

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

(1) Source: Economic Development Office - City of Portsmouth

(2) Source: Average Daily Membership submitted to the Virginia Department of Education by the Portsmouth Public School System

(3) Source: Bureau of Economic Analysis, U.S. Department of Commerce Per Capita Income as of December 31

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia**

**PRINCIPAL EMPLOYERS (unaudited)
LAST EIGHT FISCAL YEARS**

Table 8

Employer	2009		2008		2007		2006		2005		2004		2003		2002		
	Percentage of Employees Employment	Total City	Employees Employment														
Norfolk Naval Shipyard	9,000	19.10%	8,000	17.42%	7,500	16.12%	7,700	16.95%	7,600	16.85%	7,600	15.97%	7,800	16.65%	7,800	16.81%	
Naval Medical Center	5,400	11.48%	5,400	11.76%	5,400	11.60%	5,400	11.89%	5,463	12.11%	5,463	11.48%	5,000	10.68%	5,000	10.78%	
Portsmouth Public Schools	2,500	5.31%	2,400	5.22%	2,507	5.39%	2,500	5.50%	2,500	5.54%	2,700	5.67%	2,801	5.98%	2,801	6.04%	
City of Portsmouth	2,585	5.49%	2,645	5.76%	2,605	5.60%	2,558	5.63%	2,542	5.64%	2,448	5.14%	2,406	5.14%	2,406	5.19%	
Maryview Medical Center, Bon Secours	2,400	5.09%	2,000	4.35%	2,200	4.73%	2,200	4.84%	2,200	4.88%	2,000	4.20%	1,987	4.25%	1,987	4.28%	
US Fifth District Coast Guard Command	1,500	3.18%	1,500	3.27%	1,500	3.22%	1,500	3.30%	1,500	3.33%	1,400	2.94%	1,900	4.06%	1,900	4.10%	
The Pines Residential Treatment Center	225	0.48%	800	1.74%	800	1.72%	800	1.76%	800	1.77%	800	1.68%	700	1.50%	700	1.51%	
Gwinnett of Smithfield	450	0.96%	500	1.09%	500	1.07%	500	1.10%	440	0.98%	520	1.09%	504	1.08%	504	1.09%	
Southeastern Public Service Authority	180	0.38%	230	0.50%	445	0.96%	485	1.07%	473	1.05%	473	0.99%	420	0.90%	420	0.91%	
Earl Industries LLC	800	1.70%	571	1.24%	615	1.32%	500	1.10%	414	0.92%	850	1.79%	400	0.85%	400	0.86%	
Renaissance Portsmouth Hotel	150	0.32%	150	0.33%	150	0.32%	161	0.35%	161	0.36%	161	0.34%	225	0.48%	225	0.48%	
Moon Engineering Co., Inc.	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	204,00	0.00%	204,00	0.00%	
WAYY-TV	200	0.42%	177	0.39%	177	0.38%	187	0.41%	187	0.41%	187	0.39%	184	0.39%	184	0.40%	
CDI Marine Co., Inc.	330	0.70%	330	0.72%	290	0.62%	290	0.64%	290	0.64%	290	0.61%	176	0.38%	176	0.38%	
APM Terminals (Maersk)	160	0.34%	160	0.35%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	
Universal Maritime Services Corp.	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	160,00	0.00%	160,00	0.00%	
John E. Hall Electrical Construction	166	0.35%	166	0.36%	166	0.36%	130	0.29%	130	0.29%	150	0.32%	150	0.32%	150	0.32%	
Lindab, Inc.	150	0.32%	150	0.33%	115	0.25%	140	0.31%	115	0.25%	134	0.28%	142	0.30%	142	0.30%	
Wal-mart Supercenter	380	0.81%	350	0.76%	386	0.83%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	
	26,576	56.41%	25,529	55.58%	25,356	54.49%	25,051	55.14%	24,815	55.01%	25,176	52.91%	25,159	52.37%	25,017	53.13%	
Civilian Labor Force	47,111	45,934	46,533	45,435	45,108	47,562	46,807	46,398									

* 2010 Data unavailable from City of Portsmouth Economic Development - information reported is a year behind the current year

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Economic Development - City of Portsmouth

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 9

EMPLOYEES BY CLASS CODE (unaudited)
LAST NINE FISCAL YEARS

	Employee Count								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
School board members	9	9	9	9	9	9	9	9	9
Superintendent	1	1	1	1	1	1	1	1	1
Assistant superintendents	2	2	2	2	2	2	2	2	3
Directors	12	11	10	10	10	8	7	7	7
Coordinators	8	8	8	11	12	13	13	13	14
Education specialists	14	14	17	6	5	10	11	12	14
Supervisors	32	38	40	38	35	28	23	16	15
Principals	25	25	25	25	25	25	25	24	27
Assistant principals	31	34	34	33	31	32	30	30	30
Teachers	1,019	1,144	1,094	1,131	1,149	1,165	1,142	1,143	1,193
Guidance and other counselors	42	47	47	46	47	47	49	43	43
Librarians	22	26	25	23	25	26	27	29	29
Speech therapists	19	27	24	26	-	14	17	20	22
School social workers	9	9	9	8	8	8	8	10	9
Home school liaisons	2	2	2	4	10	3	14	12	12
Medical staff	31	32	33	31	31	29	29	30	35
Psychologists	11	11	11	11	10	9	11	11	10
Secretaries	145	164	156	168	160	160	154	156	162
Paraprofessionals	241	270	258	268	298	291	322	318	336
Bus drivers and monitors	153	173	161	170	167	169	168	167	169
Operations and maintenance staff	144	182	189	201	200	201	209	205	217
School crossing guards	28	44	37	36	39	43	45	42	46
In-school suspension	7	8	8	7	8	7	6	6	7
Special police officers	-	23	18	18	21	16	22	20	22
Security officers	16	-	-	-	-	-	-	-	-
Attendance officers	3	-	-	-	-	-	-	-	-
Print shop personnel	4	5	4	5	4	4	4	4	4
Cafeteria staff	122	137	136	147	161	151	170	174	182
Purchasing personnel	2	2	1	1	5	2	2	-	-
Technology personnel	22	-	-	-	-	-	-	-	-
Other	14	34	7	10	-	23	1	7	8
	2,190	2,482	2,366	2,446	2,473	2,496	2,521	2,511	2,626

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Portsmouth Public Schools - Budget and Planning Department (2002 - 2007)

Portsmouth Public Schools - Finance Department (2008 - present)

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 10

TEACHERS - TOTAL NUMBER, AVERAGE AGE, AVERAGE SALARY (unaudited)

	Number of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
2010							
Elementary	558	43.7	\$ 48,381	299	234	24	1
Middle	145	44.0	47,453	95	43	7	0
High	266	46.6	50,732	156	97	11	2
Other	93	46.8	49,111	44	44	4	1
2009							
Elementary	577	44.0	\$ 47,740	238	314	24	1
Middle	159	45.0	47,503	36	115	8	0
High	268	47.0	50,656	202	52	12	2
Other	105	46.0	46,513	1	83	17	4
2008							
Elementary	625	43.4	\$ 47,149	317	285	22	1
Middle	169	45.9	47,720	102	63	4	0
High	286	46.7	49,210	164	107	13	2
Other	68	48.2	54,040	27	26	13	2
2007							
Elementary	534	42.8	\$ 45,376	197	324	11	2
Middle	202	44.9	45,100	123	76	2	1
High	287	46.4	45,128	157	119	7	4
Other	22	46.9	49,637	7	4	10	1
2006							
Elementary	628	42.5	\$ 44,048	368	244	8	2
Middle	195	44.3	44,675	133	58	2	1
High	285	45.9	45,941	185	92	5	3
Other	28	45.8	49,934	14	10	1	0

Note: Information for years prior to 2006 is not available - records not converted to new database.

Source: Portsmouth Public Schools - Human Resource Department

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 11

CAPITAL ASSETS STATISTICS (*unaudited*)
LAST NINE FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Building									
Elementary	14	14	17	17	17	17	17	18	18
Middle	3	3	3	3	4	5	5	5	5
High	3	3	3	3	3	3	3	3	3
Other	4	4	3	3	3	3	3	3	3
Fleet									
School Buses	149	141	132	144	130	129	143	130	144
Other	62	71	69	59	65	63	55	58	57
Athletics									
Football Fields	3	3	3	2	2	2	2	2	2
Running Tracks	3	3	3	2	3	3	3	3	3
Baseball/Softball	9	9	9	3	3	3	3	3	3
Playgrounds	17	17	17	15	17	17	17	18	18

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Portsmouth Public Schools - Transportation Division
 Portsmouth Public Schools - Athletics Department
 Portsmouth Public Schools - Operations Division

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 12

SCHOOL BUILDING INFORMATION (unaudited)
LAST NINE FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary Schools									
Brighton									
Square feet	56,566	56,566	56,566	56,566	56,566	56,566	33,564	33,564	33,564
Capacity (Students)	650	650	650	650	650	650	320	320	320
Enrollment	612	598	669	701	660	571	304	319	335
Churchland Academy									
Square feet	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000
Capacity (Students)	914	914	914	914	914	914	914	914	914
Enrollment	913	947	999	1,042	1,033	917	947	979	1,062
Churchland Elementary									
Square feet	66,586	66,586	66,586	66,586	61,612	61,612	61,612	61,612	61,612
Capacity (Students)	715	715	715	634	634	587	587	587	587
Enrollment	784	657	710	721	644	543	578	563	585
Churchland Primary									
Square feet	63,800	63,800	63,800	63,800	63,800	63,800	63,800	63,800	63,800
Capacity (Students)	600	600	600	608	608	608	608	608	608
Enrollment	542	529	514	598	606	530	520	589	557
Douglass Park									
Square feet	73,755	73,755	73,755	73,755	73,398	73,398	73,398	73,398	73,775
Capacity (Students)	800	800	800	703	906	703	703	703	703
Enrollment	613	520	697	679	774	668	689	681	576
Hodges Manor									
Square feet	50,133	50,133	50,133	50,133	47,633	47,633	47,633	47,633	47,633
Capacity (Students)	600	600	600	477	477	454	454	454	454
Enrollment	572	520	582	526	485	401	475	481	473
James Hurst									
Square feet	63,525	63,525	63,525	63,525	63,525	63,525	63,525	63,525	63,525
Capacity (Students)	775	775	775	605	605	605	605	605	605
Enrollment	615	635	734	755	791	622	709	758	751
Lakeview									
Square feet	60,009	60,009	60,009	60,009	54,349	54,349	54,349	54,349	54,349
Capacity (Students)	660	660	660	605	572	518	518	518	518
Enrollment	590	592	623	664	641	489	544	531	572
Olive Branch									
Square feet	32,700	32,700	32,700	32,700	30,700	30,700	30,700	30,700	30,700
Capacity (Students)	455	455	455	311	311	311	311	311	311
Enrollment	367	347	430	464	428	342	350	367	376
Park View									
Square feet	79,998	79,998	31,748	31,748	26,548	26,548	26,548	26,548	26,548
Capacity (Students)	762	762	500	302	302	302	302	302	302
Enrollment	636	676	409	398	394	357	344	333	333
Simonsdale									
Square feet	33,300	33,300	33,300	33,300	33,300	33,300	33,300	33,300	33,300
Capacity (Students)	325	325	325	317	317	317	317	317	317
Enrollment	307	260	311	284	286	278	281	303	295
John Tyler									
Square feet	106,749	106,749	106,749	106,749	106,749	106,749	106,749	106,749	106,749
Capacity (Students)	700	700	700	581	597	546	546	546	367
Enrollment	702	687	641	660	689	628	604	568	319

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 12

SCHOOL BUILDING INFORMATION (unaudited)
LAST NINE FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary Schools (continued)									
Victory Elementary									
Square feet	78,142	78,142	78,142	78,142	51,613	51,613	51,613	51,613	51,613
Capacity (Students)	540	540	540	744	492	492	492	492	492
Enrollment	640	533	264	347	-	-	-	-	355
Westhaven									
Square feet	65,077	65,077	65,077	65,077	64,671	64,671	64,671	64,671	64,667
Capacity (Students)	670	670	670	620	797	620	620	620	620
Enrollment	551	538	610	598	646	547	545	510	484
Port Norfolk									
Square feet	28,700	28,700	28,700	28,700	28,700	28,700	28,700	28,700	28,700
Capacity (Students)	-	-	-	273	273	273	273	273	273
Enrollment	-	-	-	-	-	-	-	-	250
Clarke Academy									
Square feet	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200
Capacity (Students)	-	-	-	1,030	1,030	1,030	1,030	1,030	1,030
Enrollment	-	-	-	-	498	517	516	509	523
Middle Schools									
Churchland									
Square feet	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937
Capacity (Students)	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141
Enrollment	861	949	889	888	967	1,136	1,095	1,195	1,105
Cradock									
Square feet	106,220	106,220	106,220	106,220	103,420	103,420	103,420	103,420	103,420
Capacity (Students)	885	885	885	885	885	885	885	885	885
Enrollment	525	521	590	584	719	663	581	624	706
William E. Waters									
Square feet	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601
Capacity (Students)	872	872	872	872	872	872	872	872	872
Enrollment	522	582	552	562	664	719	739	777	832
Hunt/Mapp									
Square feet	235,946	235,946	235,946	235,946	235,946	235,946	235,946	235,946	235,946
Capacity (Students)	-	-	-	-	-	1,966	1,966	1,966	1,966
Enrollment	-	-	-	-	-	1,097	1,172	1,159	1,117
High Schools									
Churchland									
Square feet	262,000	262,000	262,000	262,000	262,152	262,152	262,152	262,152	262,152
Capacity (Students)	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871
Enrollment	1,477	1,546	1,562	1,639	1,859	1,745	1,813	1,721	1,553
I. C. Norcom									
Square feet	280,812	280,812	280,812	280,812	280,000	280,000	280,000	280,000	280,000
Capacity (Students)	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006
Enrollment	1,269	1,271	1,300	1,402	1,319	1,221	1,321	1,267	1,237
Woodrow Wilson									
Square feet	261,665	261,665	261,665	261,665	261,655	261,655	261,655	261,655	261,655
Capacity (Students)	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869
Enrollment	1,170	1,129	1,120	1,150	1,332	1,286	1,311	1,219	1,268
Enrollment - Excel Campus	143	100	113	101	80	141	140	128	178

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 12

SCHOOL BUILDING INFORMATION (unaudited)
LAST NINE FISCAL YEARS

Centers	2010	2009	2008	2007	2006	2005	2004	2003	2002
DAC Preschool									
Square feet	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Capacity (Students)	96	96	96	96	96	96	96	96	96
Enrollment	95	90	76	101	115	119	96	77	99
Emily Spong									
Square feet	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206
Capacity (Students)	288	288	288	288	288	288	288	288	288
Enrollment	265	263	236	182	179	186	189	207	218
Mt. Hermon									
Square feet	47,349	47,349	47,349	47,349	47,349	47,349	47,349	47,349	47,349
Capacity (Students)	451	451	451	451	451	451	451	451	451
Enrollment	287	248	272	260	252	244	171	189	202

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: SASI student information database
 Portsmouth Public Schools - Operations Division

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 13

OPERATING STATISTICS (unaudited)
LAST NINE FISCAL YEARS

Year	Expenditures	Enrollment	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio
2010	\$ 161,856,233	14,224	\$ 11,379	-3.81%	1,019	13.96
2009	169,537,657	14,331	11,830	3.74%	1,144	12.53
2008	162,921,752	14,287	11,403	7.40%	1,094	13.06
2007	159,162,386	14,990	10,618	12.23%	1,131	13.25
2006	144,216,707	15,243	9,461	6.00%	1,149	13.27
2005	136,647,163	15,309	8,926	8.56%	1,165	13.14
2004	128,606,981	15,642	8,222	7.58%	1,142	13.70
2003	121,734,640	15,928	7,643	2.96%	1,143	13.94
2002	120,408,689	16,221	7,423	*	1,193	13.60

* Information not available at this time

Note: Expenditures only include General and Special Revenue Funds.

PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Portsmouth Public Schools - Human Resource and Finance Departments

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COMPLIANCE SECTION



***Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards***

Members of the School Board
City of Portsmouth, Virginia School Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (School Board), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the School Board, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, A. L. P.

Virginia Beach, Virginia
November 5, 2010

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